VIET NAM QUARTERLY MACROECONOMIC REPORT

Quarter 2 - 2018

Supported by:

Konrad Adenauer Stiftung

SUMMARY

- The world economy has signs of a slowdown in economic growth in Q2/2018. The US economy grew well with positive signs from the labor market, which led to the Fed's decision to hike interest rates the second time in June. In Europe, while the EU countries experienced downward growth momentum; the UK economy continued to face many challenges after Brexit in the context of declining fixed investment and slow export growth. In Asia, Japan's economy showed negative signs after two consecutive years of economic growth. China's economic growth remained stable and surpassed expectations of the market. All ASEAN countries continued their expansion, while BRICS countries saw different trends of growth.
- The domestic economy in Q2 saw a positive growth rate of 6.79% (yoy), the highest in the past 10 years. The agriculture, forestry, fishery, and service sectors continued to improve sharply. The industry and construction sector also grew at a high rate of 9.07% in the first half of the year. The manufacturing continued to be the driving force of the whole economy. Meanwhile, the mining industry has turned back down, reflecting the seasonal characteristic of the positive growth in Q1.
- The number of temporarily ceased enterprises was abnormally high, while the number of newly created jobs declined.
- Inflation surged in Q2, reaching 4.67% (yoy) at the end of June, due to rising food and fuel prices. Meanwhile, core inflation remained at 1.37%, reflecting the SBV's prudent monetary policy.
- Trade growth slowed down in Q2/2018. Meanwhile, trade balance recorded a surplus in the fourth quarter in a row and reached $1.4 billion in Q2. Notably, China has regained its position as the country with the highest trade deficit among trading partners of Viet Nam.
- The budget balance returned to deficit in Q2, after a temporary surplus in Q1. Recurrent expenditures continued to make up more than 70% of total expenditures, while development investment expenditures have not improved much.
- Total retail sales of goods and services in Q2 increased in value but declined in volume over the same period last year, reflecting a recovery trend in prices in 2018.
- Investment growth in the private sector was the strongest of all economic sectors. Meanwhile, newly registered FDI in Q2 reached a record level. Japan was the top investor in Viet Nam in the first six months of 2018.
- The liquidity of the system was abundant due to a higher deposit growth than credit growth, accompanied by foreign currency purchased by the SBV. Foreign exchange reserves continued to rise, reaching $63.5 billion at the end of Q2, the same level as the IMF's recommendation.
- The real estate market in Q2 declined in both Hanoi and Ho Chi Minh City, both in new apartments for sale and transactions. The potential risk of an increase in interest rates in the near future could create a more depressing context in the real estate market.

THE WORLD ECONOMY

Commodity and asset markets

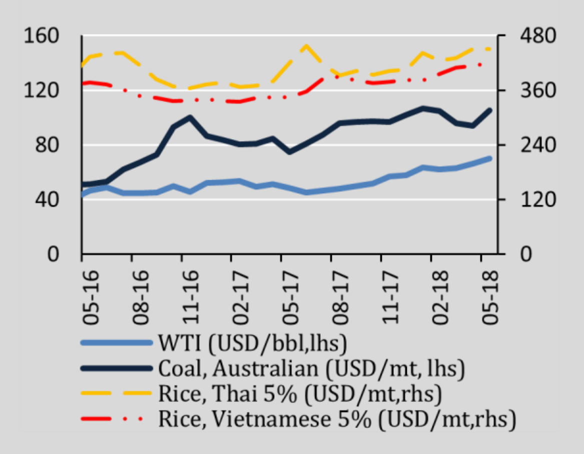
Commodity market in Q2 witnessed a slight increase in all energy and food prices, compared to Q1/2018.

WTI crude oil price in Q2 reached a peak since 2015, around 70 USD/barrel in May. The average price in Q2 was approximately 67 USD/barrel. This increase is mainly attributed to the world economic stability and output cut by OPEC members. On May 30, OPEC and non-OPEC producers confirmed to cut output by 1.8 million barrels per day until the end of the year 2018, but be ready to modify the agreement to limit oil shortages, which was one of the reasons for the rise of oil prices.

Moreover, President Donald Trump's decision on economic sanctions against Iran has sparked worries about the reduction in global oil production. According to the International Energy Agency (IEA), the US increased its crude oil reserves by 2.1 million barrels on June 1, reflecting that the oil reserves were under half of the average at this time. In this context, Russia and Saudi Arabia express that they are ready to increase their oil production to rebalance the global oil market in 2018.

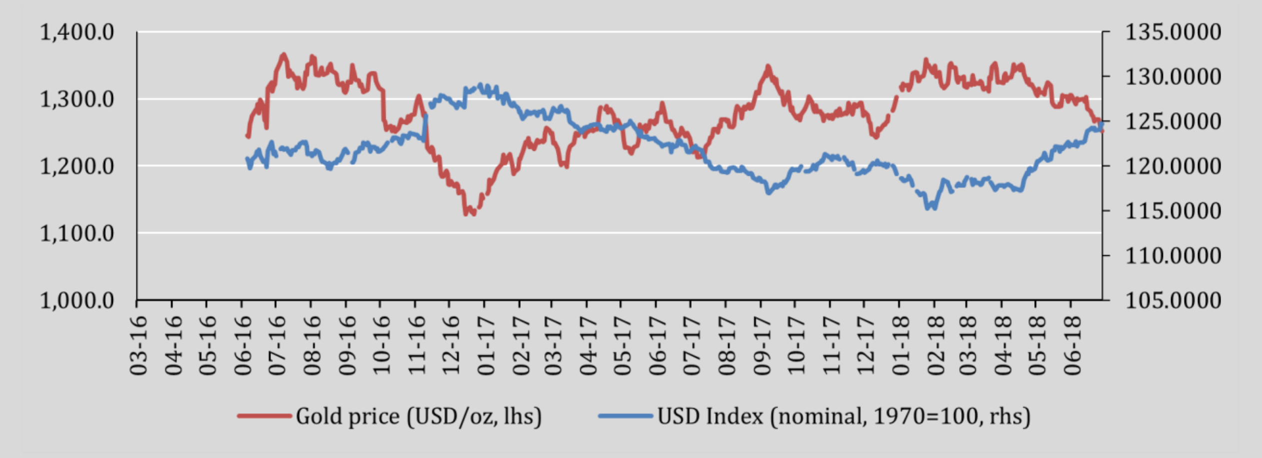
For other energy commodities, Australian coal price went down slightly in early April compared to Q1/2018, reaching about 94.2 USD/ton, following by an increase to 105.4 USD/ton in May.

Commodity Prices



Source: The Pink Sheet (WB)

Gold Price and USD Index



Source: Fed, www.gold.org

Regarding food products, both Vietnamese and Thai rice prices continued to recover strongly compared to the previous quarter due to supply shortages. The average of Viet Nam's and Thailand's 5% rice in May were 419 (up by 11%) and 451(up by 9%) USD/ton, respectively, compared to December 2017.

The world stock market in Q2 experienced fluctuations after an increasing trend in Q1. However, Asian stock markets witnessed a significant decline in almost all trading sessions. Since hitting a record in Q1, MSCI All-Country World Index showed signs of a decline in Q2 when investors were affected by many factors, leading to the market chaos. Worries about Fed's decision to raise interest rates, unpredictable trade policies (especially US tariffs on imported goods from China), and retaliation against the US from major trade partners had a negative impact on global economic growth. Although the S&P 500 and Dow Jones indexes recovered slightly in May, Asian stock markets, particularly in China stock market, have been strongly affected by the US stock market. The Shanghai Composite index declined by 13.9% since the beginning of 2018, the largest fall since 2011. Moreover, Nikkei 225 and Kospi indices declined by 2.02% and 5.73%, respectively. By the end of Q2, MSCI All-Country World Index was 501.88 on June 29, equivalent to the beginning of April 2018.

After a plunge in Q1, cryptocurrency market continued to witness a downtrend in Q2/2018. Particularly, the Bitcoin price was at 6,838 USD/BTC at the beginning of Q2, then reaching 9,850 USD/BTC in a few days, before declining rapidly at the end of the quarter. Bitcoin price hit bottom at 5,929 USD/BTC on June 29. In addition to the attempts to control the cryptocurrency market in many countries, the security risk for digital assets has been increasing since the two major digital currency exchanges in South Korea were constantly attacked by hackers. Thus, since the beginning of the year, Bitcoin price has lost 70% of its peak in December 2017.

Gold is always a safe option for investors during the period of political and economic instability. In the context of political tension in April when the US and European allies launched air strikes to punish Syria for using chemical weapons, it pushed up gold price dramatically in Q2 compared to the beginning of 2018. Gold price hit a peak at 1,348.9 USD/oz on April 19. However, gold price witnessed a downward trend since the middle of May, closing at 1,252.3 USD/oz on June 30, down by 96 USD/oz (equivalent to 7.6%) compared to the peak in Q2.

Meanwhile, the USD value increased significantly in Q2 amid a decline in gold price. In the context of positive news about Korean peninsula such as the inter-Korean summit and the US - North Korea summit and the Fed's decision to hike interest rates the second time in 2018, the US dollar value witnessed a sharp increase in Q2. The nominal USD index was 117.79 on April 4, following by an upward trend during the whole quarter, closing at 124.70 on June 28, up by 7.8% compared to the bottom level at the beginning of 2018.

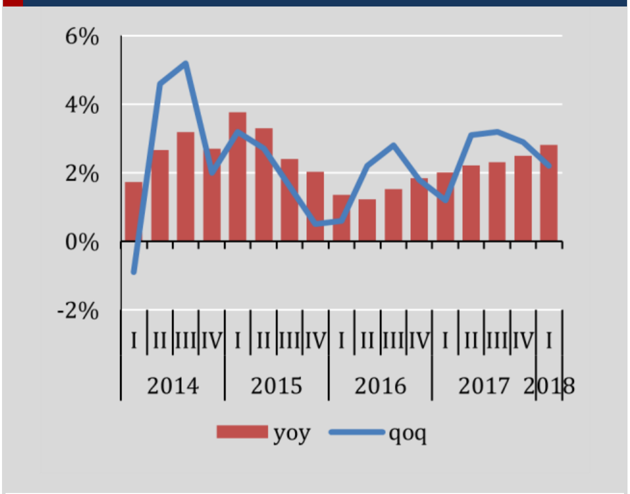
US economy's high growth and Fed's decision to hike the interest rates

The third estimate released by the US Bureau of Economic Analysis (BEA) showed that the GDP growth rate in Q1/2018 was 2.2% (qoq). Regarding the economic growth compared to previous year, 2.8% (yoy) was the highest rate in the last two years. This high growth was mainly due to increases in private consumption, fixed investment, federal government spending, and exports.

By sectors, the indicators on service sector showed an upward trend in the first two months in Q2 after declining moderately at the end of Q1. Specifically, NMI in May reached 58.6, up by 2% compared to NMI in April. Accordingly, the sub-indexes showed a rebound in the non-manufacturing sector in Q2. The Business Activity and New Orders index were 59.1 and 60.0 in April, remaining unchanged compared to the end of Q1. However, the expansion in the service sector indicated more positive signals when the Business Activity and New Orders index went up to 61.3 and 60.5, respectively, at the end of Q2.

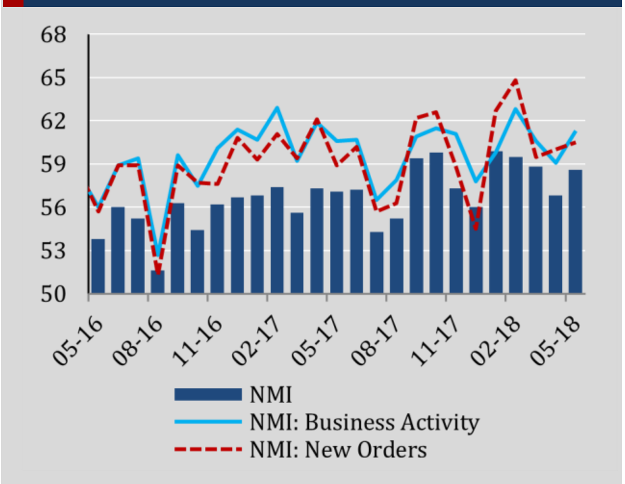
Inflation continued to witness the increase in April and May, at 2.5% and 2.8%, respectively. This was the highest inflation rate in the last six years. This increase may be explained by the upward trend in oil price currently. On June 13, the Fed decided to raise the interest rates the second time in 2018. Accordingly, the Fed decided to raise the base rate by 25 points, from 1.75% to 2%.

US Economic Growth (%)



Source: CEIC

US Non Manufacturing Index



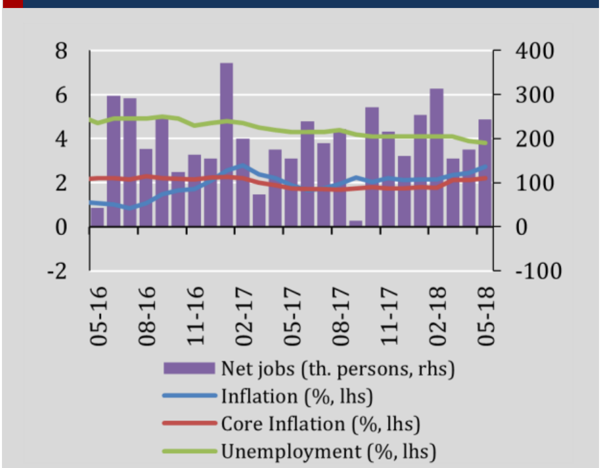
Source: CEIC

The decision came against a backdrop of strong economic growth supported by high non-residential investment and a tightening labor market which, along with rising energy prices, was fanning inflationary pressure. The unemployment rate in Q2 (seasonally adjusted) continuously decreased from 3.9% in April to 3.8% in May, the lowest rate for the last two decades since April 2000. At the same time, the net number of newly created jobs went up in Q2, reached 175 and 224 thousand in April and May. However, labor force participation decreased to the lowest level during the last four months, reaching 62.7%.

Another important factor leading Fed's decision to hike the interest rates was that the core inflation and headline inflation had fluctuated around the target of 2%. Headline inflation and core inflation were 2.43% and 2.12% in April, respectively.

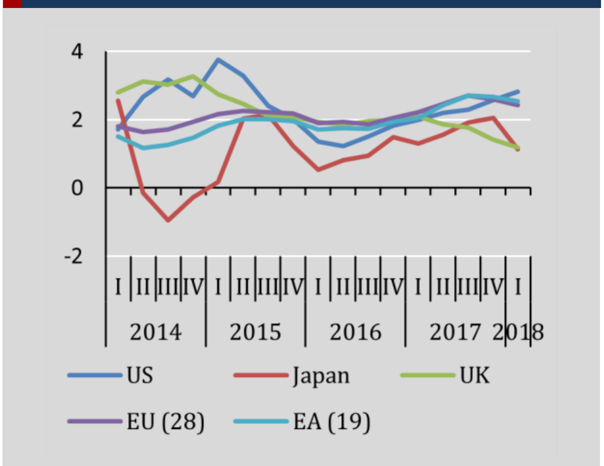
In Q2, the Trump administration officially imposed tariffs on imported goods from China and even from political allies. This event has raised worries about a large-scale trade war since major trade partners threatened retaliation against the US, such as retaliatory measures from Mexico and the EU becoming effective since June. Although these measures are expected to have a modest impact on the US economic outlook, material risks could be seen since President Trump's tensions with China have increased over the past few weeks.

US Inflation and Unemployment (%, yoy)



Source: CEIC

Economic Growth in Selected Advanced Countries (%, yoy)



Source: CEIC

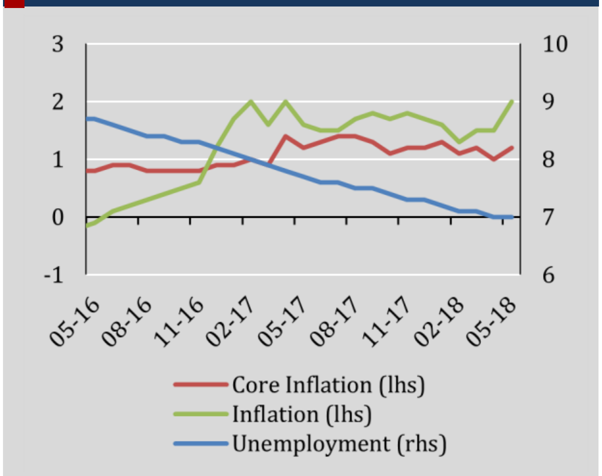
Bleak European economy

European economy lost growth momentum in Q1 2018 compared to its excellent performance in 2017. Economic growth rates in Q1 of EU28 and EA19 were 2.43% and 2.54% (yoy), respectively. Economic growth of this region was mainly contributed by the consumption and stable development of manufacturing activities. PMI index, after reaching a peak of 60.6 in January 2018, was on a downward trend. However, the index still fluctuated above 55, showing positive signals in economic growth in the coming time. In the monetary market, the European Central Bank (ECB) confirmed that the quantitative easing (QE) program would be ended at the end of 2018, a sign of the ending of monetary stimulus in Europe, which was launched in 2015.

Employment continued to show signs of improvement in Q2/2018. The unemployment rate continued to decline to the lowest rate in the last nine years (at 7.0% in May 2018). Both headline inflation and core inflation in Q1 experienced an upward trend. After decreasing slightly in the early Q2, the headline inflation rate rose strongly and reached 2% in May. Meanwhile, the core inflation rate also went up from 1.0% to 1.2% in May.

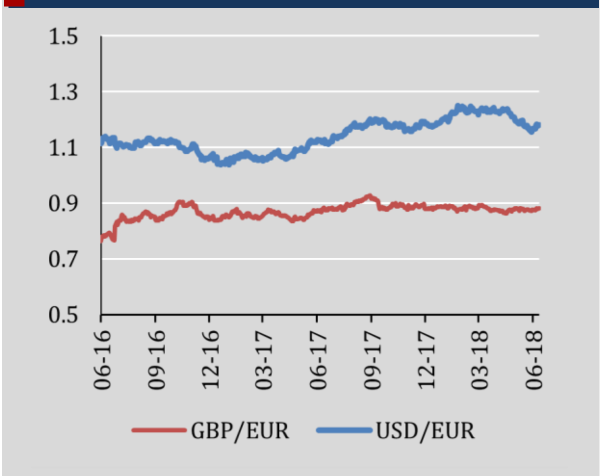
The Germany economy in Q1 grew at 2.32% (yoy), higher than the last quarter by 0.3%. Despite a potential global financial crisis, Germany economic still showed the positive signs in terms of consumption and employment. At the end of 2017, the proportion of employed persons at working age (aged from 15 to 74) was 66.6%, the highest rate since the German reunification, and this figure continuously went up by 6% in Q1/2018.

Inflation and Unemployment in EU28 (%)



Source: OECD

GBP/EUR and USD/EUR exchange rates



Source: BoE

Temporary data from OECD shows that Spanish economy in Q1/2018 witnessed a growth rate of 3.03% (yoy), up by 0.7% compared to the previous quarter, despite the political crisis between Madrid government and autonomous Catalonia. This marked the third consecutive quarter of Spanish economy's expansion.

Among major economies in Europe, the UK economy continued to face difficulties with lower fixed investment and export growth. Economic growth in Q1 was merely 1.24% (yoy), the lowest rate since 2012. Growth in the construction sector was the lowest during the last nine years, decreasing by about 3.3% in Q1. Although this deceleration is explained by the adverse weather during early 2018, other post-Brexit factors have continued to be the major reasons for the weak performance of the economy that was once ranked fifth in the world. In addition, household spending also witnessed the lowest growth rate in the past three years of just 0.2%.

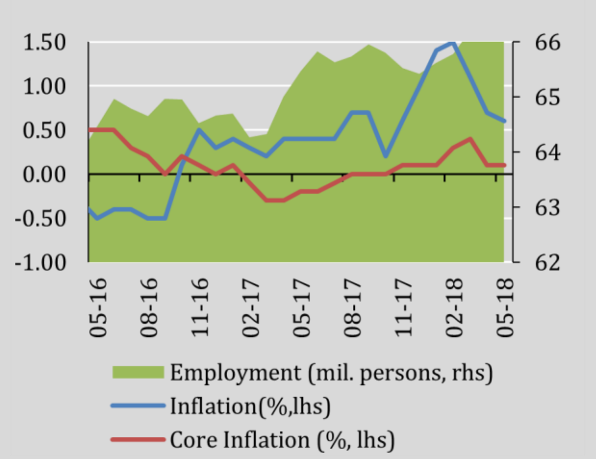
Comparing to USD, EUR hit bottom since December 2017 due to political tension in Italia and Spain. By the end of the quarter, the exchange rate was 1.166 EUR/USD in the context when investors are worried about the possibility of a financial crisis in Europe. Meanwhile, the exchange rate of GBP/EUR remained stable around 0.880 GBP/EUR in Q2.

Japanese economy witnessed a slowdown after two years

Japan's economy contracted for the first time after nine consecutive quarters of expansion. Economic growth in Q1 reached 1.0% (yoy), the lowest growth rate amongst the seven biggest economies, according to OECD.

The recovery trend in industrial production has been maintained since early 2018. Accordingly, after increasing by 2.0% in February, IPI continued to rise by 1.2% in March, marking positive growth in two consecutive months in early 2018, before remaining around 104 in the next two months. Meanwhile, the service sector remained stable, with the retail sales index staying above 100 despite slight fluctuations in Q2.

Japan's Inflation and Employment

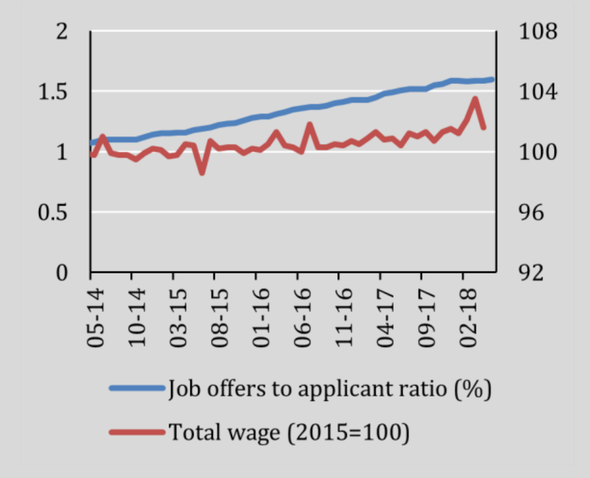


Source: CEIC

In the labor market, the number of employed workers recovered in Q2, reaching 66.71 and 66.98 million in April and May, respectively, compared to 65.62 million in January 2018. The unemployment rate was only 2.5% and 2.2% in April and May, the lowest rate in the last 25 years. However, the total job offers to applicants ratio was recorded at 1.59 and 1.60 in April and May, respectively, the highest rate in nearly five decades. This figure, on the one hand, reflects the availability and abundance of job vacancies; on the other hand, it also demonstrates the severe labor shortages Japan has to face. In particular, the aging population is one of the main problems for the Japanese economy in the current period.

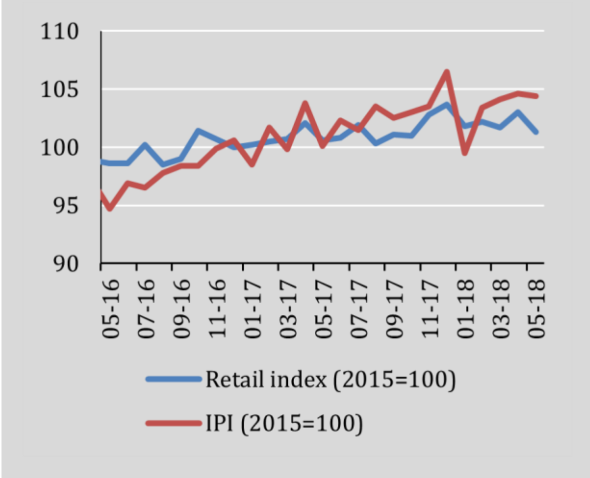
Meanwhile, inflation witnessed a downward trend in Q2. Headline inflation rate, after increasing in Q1, continuously declined in Q2, to 0.6% in May. Core inflation rate decreased sharply from 0.4% at the end of Q1 to 0.1% in April and May. The BoJ will continue its quantitative easing program until inflation rises and stabilizes around the 2.0% target.

Total Wage and Jobs-to-Applicants Ratio in Japan



Source: Japan Macro Advisors

Japan's Retail Sales and Industrial Production (seasonally adjusted)



Source: Japan Macro Advisors

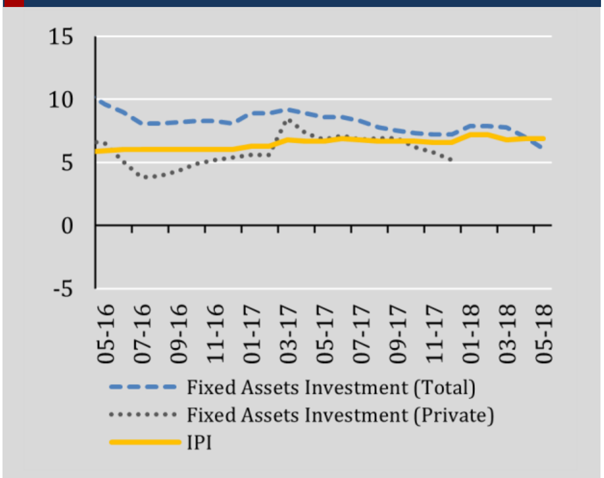
Chinese economy remained stable

China's economy grew by 6.8% (yoy) in Q1/2018, equivalent to the growth rates of the two previous quarters. This robust economic growth was thanks to strong growth in private consumption, despite worries about the slowdown of the economy. In addition, it also surpassed the government's target of 6.5% for 2018. According to the National Bureau of Statistics (NBCS), the recovery of the Chinese economy was mainly due to increases in private consumption and retail sales, a tight labor market, and fixed investment growth. However, the trade surplus reduced to a four-year low of 21.8% in Q1. Moreover, in the context of the gloomy real estate market, the risks of rising trade protectionism and tightening financial policies will have a negative impact on China's economic growth in 2018.

After a recovery in Q1/2018, indicators of investment went down dramatically in Q2. In particular, total fixed investment only grew at 7.8% and 6.1% in April and May, respectively. The growth rate of 6.1% in the first five months of 2018 was the lowest rate since 1996.

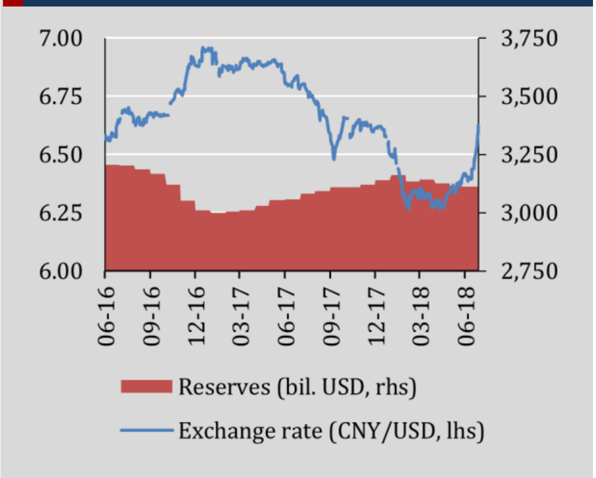
IPI in Q2/2018 almost remained unchanged, at 6.9% in April and May. Meanwhile, PMI tended to fluctuate in the first six months of 2018, above 51. Nevertheless, PMI in June still marked the 23rd consecutive month of expansion in the manufacturing sector. Regarding the service sector, NMI remained at a high level around 54-55.

Fixed Capital Growth & IPI (%, yoy, ytd)



Source: CEIC

China's Exchange Rate and Reserves

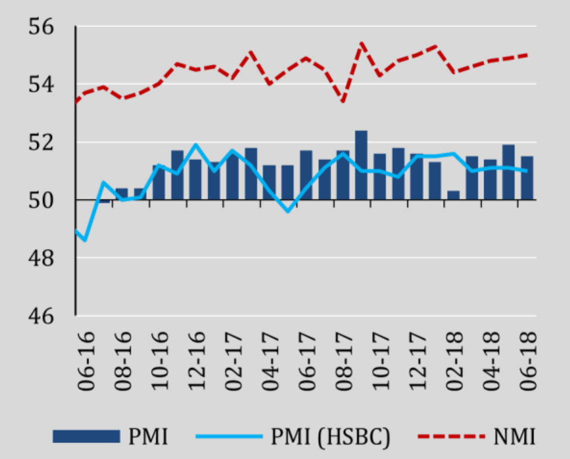


Source: FRED, CEIC

In the foreign exchange market, after fluctuations in Q1, the CNY/USD rate increased strongly in the Q2. Especially, Q2 witnessed the plunge in the CNY value, with 14 consecutive devaluated days taking down 5.4% of its value. In the context of strong USD in Q2, China's foreign exchange reserves were on a downward trend in the first six months of 2018, reaching $3,112.1 billion at the end of Q2/2018. To preserve the foreign exchange reserves, the Chinese government recently tried to tighten foreign investment to prevent the weakness of domestic currency and the flow of capital out of China. However, the recent decline in foreign exchange reserves may indicate the passivity of PoBC during the strong CNY depreciation against the USD.

According to Bloomberg, unfavorable events taking place in the Chinese economy such as bond defaults, liquidity shortages, the rapid devaluation of CNY and the slump in the stock market in China, along with the

China's PMI & NMI



Source: AASTOCKS

Behind the US- China trade war

In March 2018, President Trump signed a Memorandum of Understanding imposing new tariffs on 1,300 items imported from China that are worth $60 billion. Immediately China announced that it would impose import tax of up to 25% on 106 items exported from the US with the value of $50 billion. On June 15, the Trump administration announced that it would impose tariffs on Chinese products worth $50 billion since July 6; of which, 818 items worth $34 billion suffer a tariff of 25%. Soon after, the Chinese Ministry of Commerce said that China would respond with new tariffs, but does not specify which products will be targeted. On June 18, President Trump announced that the US would impose a tariff of 10% on China's other products with a total value of $200 billion.

It is impossible to reduce the trade deficit from $375 billion per year to $100 billion, especially in the context of globalization. Perhaps non-commercial reasons are the purpose behind this prolonged trade tensions.

The US has used this way to retaliate against the Chinese government's unfair policies on US enterprises which are doing business in China, especially in intellectual property issues. Trade tensions are solely a beginning to the US preparation for the next competition in the near future, when acquiring key technologies from the US and other countries, and capturing the emerging high-technology industries, China becomes a "strategic competitor", according to the Office of Trade and Manufacturing Policy report.

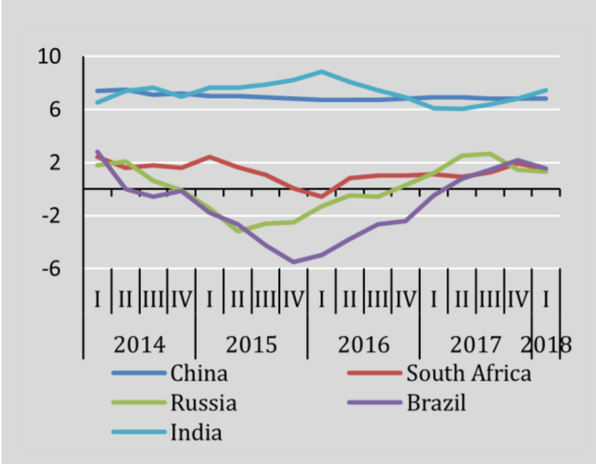
Fed's decision to hike interest rates and the escalating US-China trade war, could lead to a financial crisis in the second-largest economy.

However, according to Eddi Securities & Future, the PBoC is willing to use the weak CNY to offset the impacts from trade war, and may use it as a weapon in the context of the escalating US-China trade war.

BRICS countries still experienced different growth trends

The BRICS economies continued to witness different growth trends. While China maintained its stable economic growth; Russia, South Africa, and Brazil experienced a downward trend in economic growth in Q1/2018 compared to the previous quarter. Meanwhile, the Indian economy witnessed a rebound in Q1/2018.

Economic Growth in BRICS (%, yoy)



Source: OECD

According to HIS Markit, in Russia, industrial production continued to decline in Q2. PMI decreased from 49.8 in May to 49.5 in June, marking the lowest level since July 2016. Besides, the inflation rate was at 2.4% (yoy) in April, remained unchanged compared to the previous month and under the inflation target at 4% of the central bank. According to a report from the Russian government, the 2018 World Cup tournament will be able to bring the Russian economy nearly $31 billion. This results came from tourism growth, strong investment in construction and impacts from government investment. Before the World Cup tournament, the relation between Russia and the West was "worse than during the Cold War" because of Russia's involvement in Ukraine, the different opinions on political solutions in Syria, and the suspected poisoning of former Russian spy Sergei Skripal in British territory. Hence, the World Cup tournament brought a positive image of Russia and strengthened its position in the international arena.

India's economic growth in Q1/2018 was impressive at 7.44%. This growth was enough to put India ahead of China in terms of economic growth, after a difficult time due to the currency swap and the introduction of new goods and services tax system (GST). The inflation rate rose rapidly in April and May, reaching 4.6% and 4.9%, respectively, the highest rate during the last six months. Inflation pressure was one contributor to Reserve Bank India (RBI)'s decision to raise interest rates by 0.25% in June 2018. However, inflation rate and economic growth in the Indian economy are forecasted to increase in the coming time; as a result, it may lead to the tightening financial policies from the Indian government.

ASEAN economies were on the right track

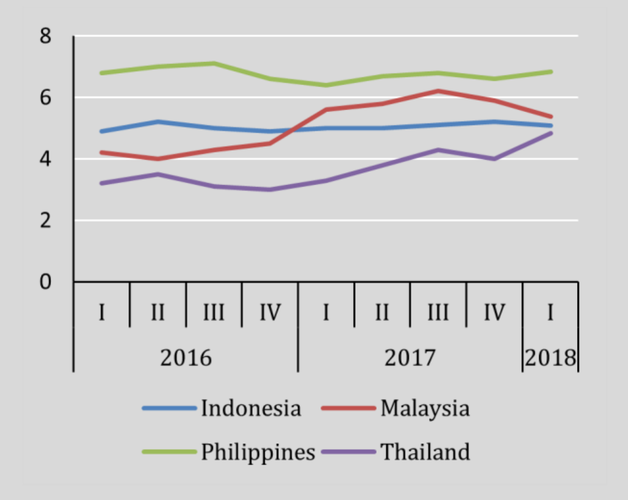
In the context of a slowdown in global economies, ASEAN countries have still shown positive signals in economic growth in the next period. Accordingly, five countries in the ASEAN-5 group are expected to grow at 5.3% and 5.4% (yoy) on average in 2018 and 2019, respectively.

After becoming the first one-trillion-dollar economy in South East Asia in 2017, Indonesia's economy continued to grow impressively in Q1/2018, at 5.1%, the highest rate since the last three years. The inflation rate was stabilized in line with the inflation target of 3.5% inset by Indonesian Bank for 2018. Particularly, inflation rate was at 3.2% in May and 3.1% in June.

Thai economy accelerated in Q1 with the fastest growth rate during the last five years, at 4.8% (yoy). This economic growth was mainly attributed to the rise in private expenditure and high international demand. The Thai economy is forecasted to continue its growth momentum thanks to high domestic demand, and increase in public expenditure and other fixed investment. However, in the context of political tension and trade war in the region as well as in the whole world, the increasing dependence on external sectors may put the Thai economy at risks.

Malaysian economy experienced stable economic growth in two quarters, at 5.40% in Q1/2018. Main contributor to this fact came from private expenditure. However, private investment showed negative impacts before the 11th Prime Minister

Economic Growth in ASEAN-4 countries (%, yoy)



Source: CEIC

election in the country. The 92-year-old former Malaysian Prime Minister Mahathir Mohamad won the historic election on May 9, ending the 60-year rule of Barisan Nasional (BN). Accordingly, stocks and Ringgit may be affected by the financial, economic and political instability of the new government in Malaysia.

Global Economic Prospects (%)

	WEO* (04/2018)			GEP** (6/2018)		
	2017e	*2018p*	*2019p*	*2018p*	*2019p*	*2020p*
Global Economy	**3.7**	**3.9 (0.0)**	**3.9 (0.0)**	**3.1(0.0)**	**3.0 (0.0)**	**2.9 (0.0)**
Developed economies	**2.3**	**2.5 (0.2)**	**2.2 (0.0)**	**2.2(0.0)**	**2.0 (0.1)**	**1.7(0.0)**
US	2.3	2.9 (0.2)	2.7 (0.2)	2.7(0.2)	2.5 (0.3)	2.0 (0.0)
Euro area	2.3	2.4 (0.3)	2.0 (0.3)	2.1(0.0)	1.7 (0.0)	1.5 (0.0)
UK	1.8	1.6 (0.1)	1.5 (0.0)	1.4(-0.1)	1.5(0.0)	1.7 (0.0)
Japan	1.7	1.2 (0.0)	0.9 (0.0)	1.0(-0.3)	0.8 (0.3)	0.5 (0.0)
BRICS countries	**4.8**	**4.9 (0.0)**	**5.1 (0.1)**	**4.5(0.0)**	**4.7 (0.0)**	**4.7(0.0)**
Russia	1.5	1.7 (0.0)	1.5 (0.0)	1.5(-0.2)	1.8 (0.0)	1.8 (0.0)
China	6.9	6.6 (0.0)	6.4 (0.0)	6.5(0.1)	6.3 (0.0)	6.2 (0.0)
India	6.7	7.4 (0.0)	7.8 (0.0)	7.3(0.0)	7.5 (0.0)	7.5 (0.0)
Brazil	1.0	2.3 (1.6)	2.5 (1.0)	2.4(0.4)	2.5 (0.2)	2.4 (-0.1)
South Africa	1.3	1.5 (0.6)	1.7 (0.8)	1.4(0.3)	1.8(0.1)	1.9(0.2)
ASEAN-5 countries	**5.3**	**5.3 (0.0)**	**5.4 (0.1)**			
Indonesia	5.1	5.3 (0.0)	5.5	5.2	5.3	5.4
Malaysia	5.9	5.3 (0.6)	5.0	5.4	5.1	4.8
Philippines	6.7	6.7 (-0.2)	6.8	6.7	6.7	6.6
Thailand	3.9	3.9 (0.6)	3.8	4.1	3.8	3.8
Viet Nam	6.8	6.6 (0.3)	6.5	6.8	6.6	6.5
Laos	6.8	6.8 (0.0)	7.0	6.6	6.9	6.9
Cambodia	6.9	6.9 (0.1)	6.8	6.3	6.1	6.0
Myanmar	6.7	6.9 (-0.7)	7.0	6.7	6.9	7.1

Note: Differences from latest forecast in parentheses; e represents estimates; p represents prediction

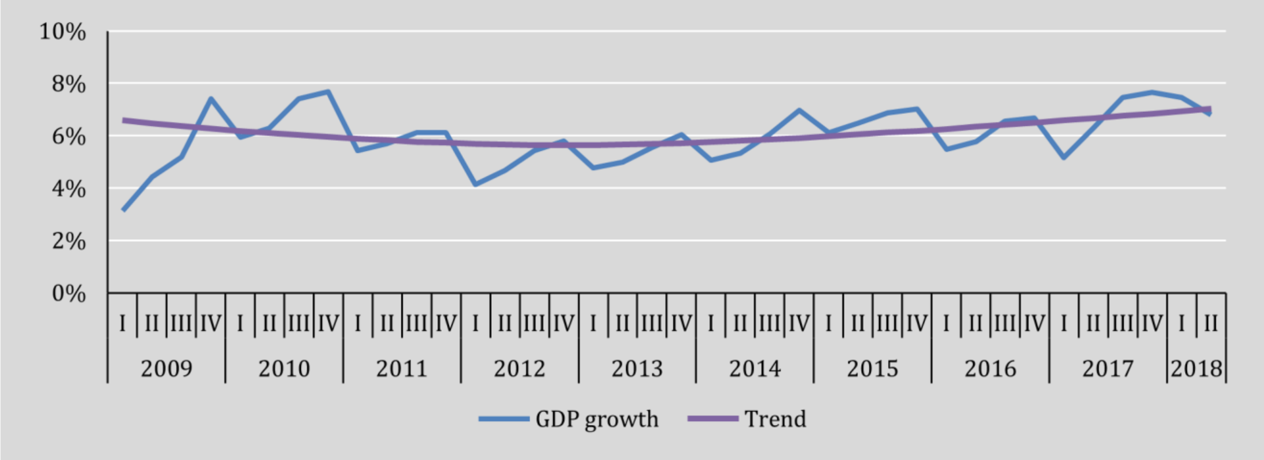
Source: World Economic Outlook (IMF), Global Economic Prospects (WB)

THE VIETNAMESE ECONOMY

Growth-Inflation

Vietnamese economy continued to grow positively

Viet Nam Economic Growth (%, yoy), 2009-2018



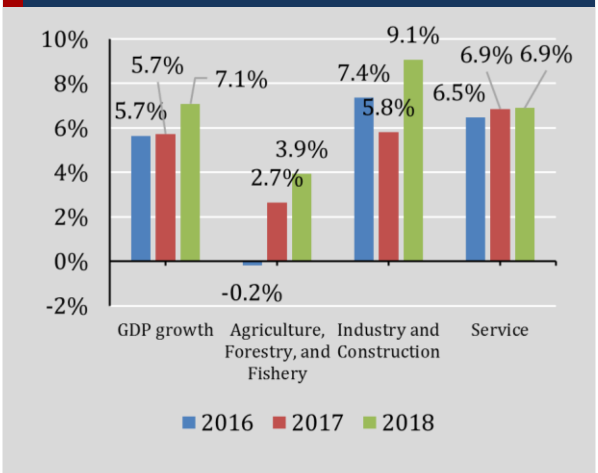
Source: Calculations from GSO's data

According to data announced by GSO, Viet Nam's economic growth in Q2/2018 reached 6.79% (yoy). Although the growth rate was not as high as Q1, this is the highest growth rate of Q2 over ten years.

The service sector grew significantly at 6.9% (yoy) in the first two quarters, the highest rate since 2012. Of which, wholesale and retail continued to contribute the most to the overall growth of the sector with the growth rate of 8.21% (yoy). According to data from the Viet Nam National Administration of Tourism (VNAT), the number of foreign visitors in the first six months of the year reached 7.9 million, up by 27.2% (yoy). All major markets have been growing well in terms of tourist arrivals, including South Korea (up by 60.7%), China (36.1%), the United States (15.4%), Japan (6.6%) and Russia (up by 7.9%).

Growth in agriculture, forestry, and fishery in the first half of 2018 reached its highest level in seven years with an increase of 3.93% (yoy). Agriculture continued to

Economic Growth by Sector (%, yoy), first 6 months, 2016-2018



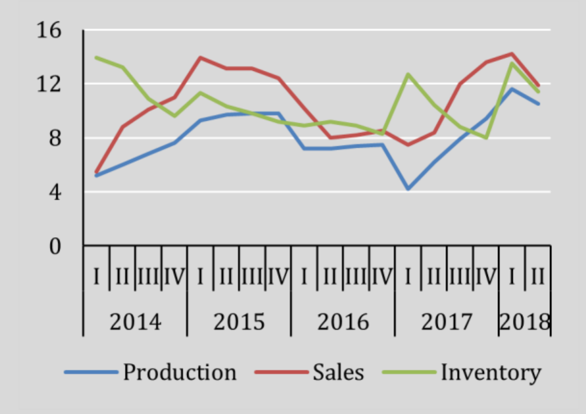
Source: GSO

witness a positive rebound. Favorable weather contributed to bumper crops, especially fruit trees. Of which, lychee has been sold at relatively high prices, while other kinds of fruit such as watermelon and pineapple have continued to suffer unreasonably low price. This fact continues to pose problems of market supply and demand balance as well as capacity to build an agricultural supply chain for farmers and authorities. Meanwhile, the favorable weather and rising market prices brought the highest growth rate in eight years for the fishery (up by 6.41%, yoy).

Meanwhile, the industrial and construction sector grew at a remarkable growth of 9.07% (yoy), much higher than the same period of previous years (2016: 7.12%; 2017: 5.81%). The manufacturing industry continued to be the main driving force of this sector with a growth rate of 13.02%, the highest since 2012. However, the mining and quarrying sector experienced negative growth in Q2, leading to a 1.3% decline (yoy) in the first half of 2018, reflecting seasonal positive growth Q1.

Industrial production indicators continued to show positive signs in Q2. For the first six months of 2018, the Industrial Production Index (IPI) increased by 10.5%, the highest since 2011. Consumption index also maintained a high increase at 11.9% (yoy). Meanwhile, despite improvement compared with Q1, inventory index was relatively higher than the same period of previous years, at 11.4%.

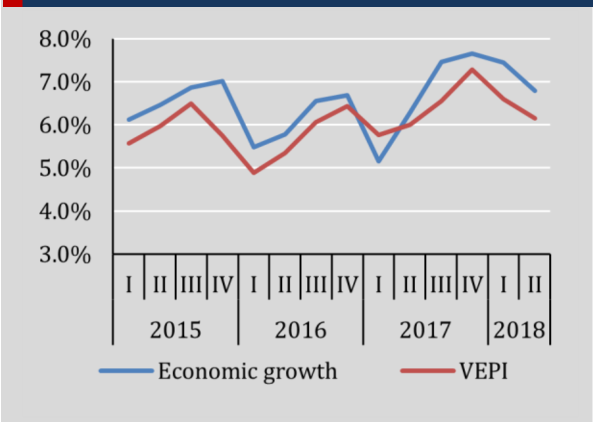
Selected Industrial Indicators (%, ytd)



Source: GSO

The Viet Nam Economic Performance Index (VEPI), which was developed by VEPR using data on electricity, export and import turnovers, credit growth, and IPI index, reached 6.15% in Q2/2018, higher than the same period of 2017 (6%) but still lower than economic growth rate (6.79%) announced by the GSO. By looking at its components, we can see that the deceleration in the IPI in Q2 played an important role in explaining the decline of the VEPI. Besides, lower VEPI in Q2 may reflect a potential economic downturn. This

Viet Nam Economic Performance Index



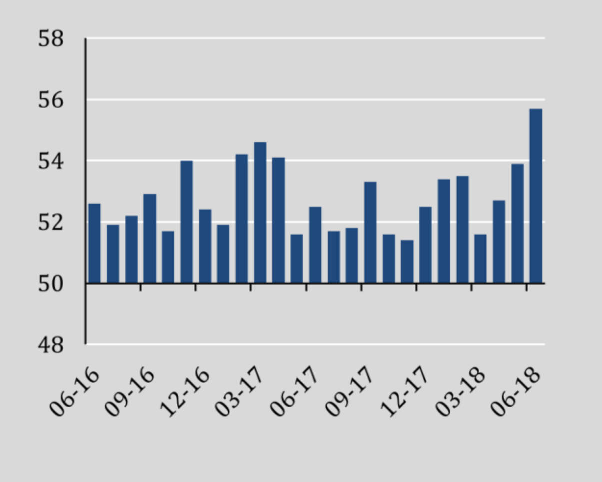
Source: VEPR

again shows the increasing dependence of the economy on the manufacturing sector, posing challenges for long-term economic development.

The number of ceased enterprises was unusually high, and the number of newly created jobs decreased

The Purchasing Managers' Index (PMI) continued to improve in the second quarter in the context of robust economic growth. The PMI rose from 51.6 in March to 55.7 in June. This was the highest PMI in many years, marking 31 consecutive months of expansion (more than 50), still expressing positive signs of business prospects in the manufacturing sector.

Viet Nam's PMI



Source: HSBC, Nikkei

The survey on the business trend of manufacturing enterprises conducted by the GSO showed rising optimism of enterprises in Q2 compared to Q1. Of all the surveyed enterprises, 45% rated their business performance in Q2 better than Q1, lower than the GSO's expected number of 55.7%. However, this rate was much higher than the previous quarter (33%) and roughly equivalent to the same period of last year (43%). Meanwhile, 17.4% of businesses rated their performance worse in Q2.

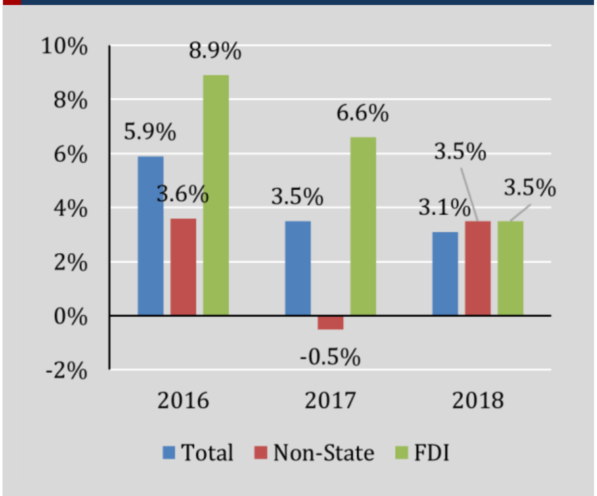
Regarding business activities, the number of newly established enterprises in the first half of 2018 slightly increased compared with the same period of last year (64,531 versus 61,276 enterprises, up by 5.3%). The total registered capital was 649 trillion VND, up by 8.9% over the same period of 2017. The average registered capital per enterprise was 10.1 billion VND, up by 3.4% over the same period of 2017.

Meanwhile, Q2/2018 witnessed a significant increase in the number of temporarily ceased enterprises compared with the same period in 2017, up by 75.7% (31,668 versus 18,039). In the first half of 2018, 52,803 enterprises stopped operation, up by 34.7% (yoy).

Similar to Q1, the number of newly created jobs in Q2 continued to decline compared to the same period last year. Specifically, there were 283.1 thousand new jobs created in Q2/2018, 15.7% lower than Q2/2017. Decreasing new job offered amid positive economic growth continues to question the quality of economic growth.

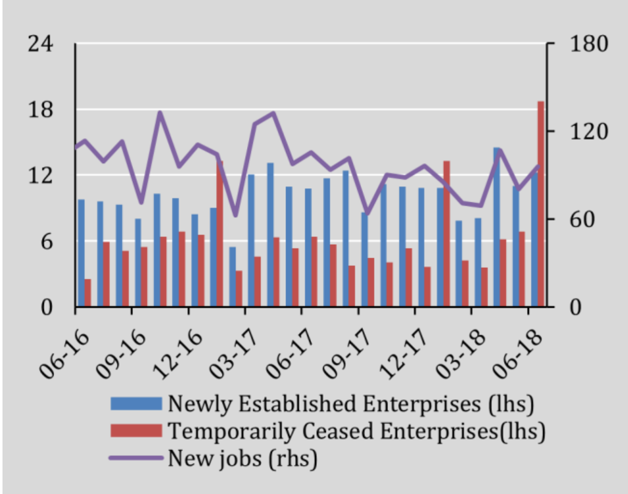
Regarding economic sector, labor growth in the FDI sector in the first six months of 2018 reached 3.5%, lower than the same period of previous years (2016: 8.9%, 2017:

Labor Growth in Industry Sector (%), first 6 months, 2016-2018



Source: GSO

Enterprise Operations (th. units, th. persons)



Source: GSO

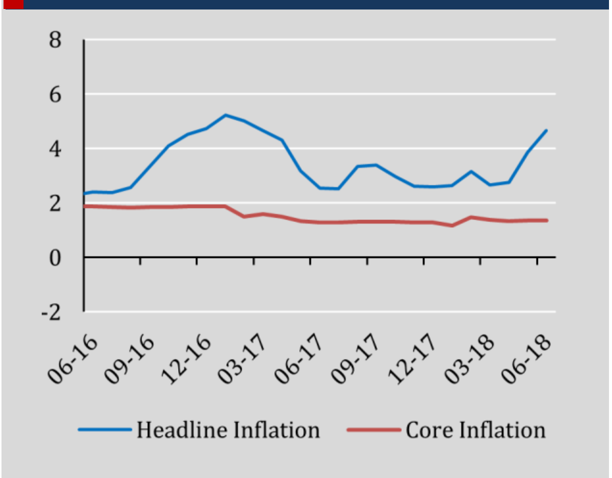
6.6%). Meanwhile, the number of non-state workers rose again to 3.5% in the first half of 2018, after a decline of 0.5% in the same period in 2017. This fact seems to reflect the rising importance of the non-state sector, while the FDI sector has become increasingly highly automated, thus reducing the amount of labor available.

Inflation soared in Q2

Continuing the trend in Q1, inflation continued to increase in Q2. Headline inflation rate increased from 2.66% in March to 4.67% in June. For the first six months of 2018, the average CPI increased by 3.29% over the same period of 2017. At the same time, the CPI by the end of June 2018 increased by 2.22% compared with the end of December 2017.

The recovery in prices of food and foodstuff group led to an increase in inflation. This group has a considerable weight in the CPI basket (36.12%), and its price rose by 5.1% (yoy) in June, the highest increase since

Inflation (%, yoy)



Source: GSO

2014. In the coming time when food prices, especially pork, rebound to the level before the supply crisis last year, the contribution of the group to the CPI is expected to be even larger.

Public services continued to be an important contributor to CPI growth in Q2. The fact that all provinces have completed adjustments in health services' price for those without health insurance cards made the price of medicament group in June increased by 12.96% over the same period last year (health services increased by 16.73%). In addition, the CPI of education group also increased by 6.12% at the end of Q2/2018 compared with the same period of Q2/2017, of which education services increased by 6.81%.

In the context of increasing fuel prices in the world market since the beginning of 2018, domestic petrol prices have also been continuously adjusted upward. In the first six months of this year, gasoline prices rose by 13.95% over the same period last year, contributing 0.59% to the total CPI. In the coming time when the world fuel price has no sign of cooling down, together with the environmental protection tax on petroleum rising to the ceiling of 4,000 VND per liter, the transport group, especially petrol, will continue to contribute substantially to the overall CPI.

Under the upward inflation pressure in the remaining time of 2018, Prime Minister Nguyen Xuan Phuc has directed not to increase electricity prices this year. In our opinion, this is only a temporary solution to achieve the inflation target of less than 4% this year.

Meanwhile, core inflation rate, after rising to 1.47% in February, remained stable at around 1.37% up to June 2018. This figure suggests that the SBV has been still pursuing prudent monetary policy.

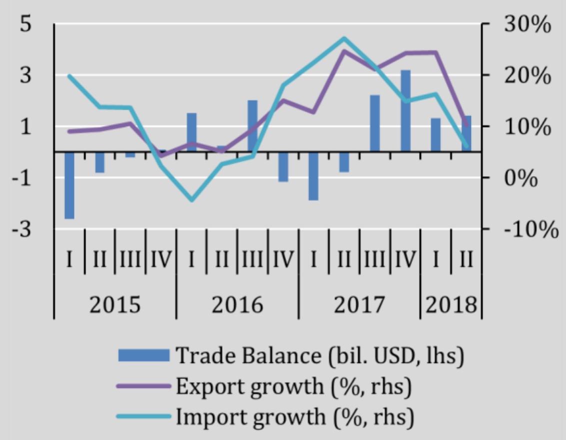
Macroeconomic balances

Trade balance witnessed a surplus in straight four quarters

Trade turnover in the Q2/2018 increased slowly over the same period last year. Specifically, export and import turnovers increased by 10.20% and 6.03% (yoy), respectively. Trade surplus in Q2 reached approximately $1.4 billion, marking the fourth consecutive quarterly surplus. For the first six months of the year, the trade surplus was $2.7 billion.

Export turnover in Q2 was estimated at $59.62 billion. In particular, exports from FDI enterprises continued to account for the bulk of total export. Export turnover from this sector reached $41.52 billion, accounting for 69.6% of the total turnover and up by 5.4% over the same period of 2017. Exports from the domestic sector continued to improve at 23.0% (yoy).

Trade Balance and Growth



Source: GSO

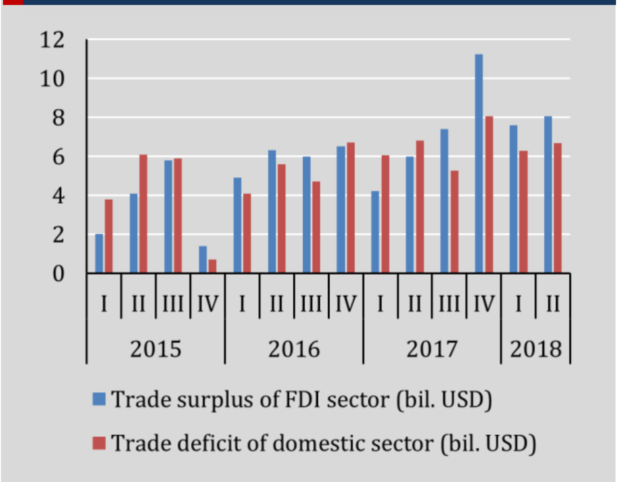
Viet Nam amid the US-China trade war

The United States and China are two important trade partners of Viet Nam. While the US is the largest export market of Viet Nam, accounting for about one fifth of total exports, Viet Nam imports most from China with about a quarter of total imports.

The US-China trade war and the devaluation of the CNY have had a great impact on the world economy, including Viet Nam. By the end of Q2/2018, China's foreign exchange reserves fell by about $30 billion compared to Q1. This may reflect the passivity of the Central Bank of China (PBoC) during the strong CNY depreciation agaisnt the USD. The likely possibility is that foreign investors have begun withdrawing capital from China, causing the PBoC to reduce its foreign exchange reserves to keep the value of the CNY.

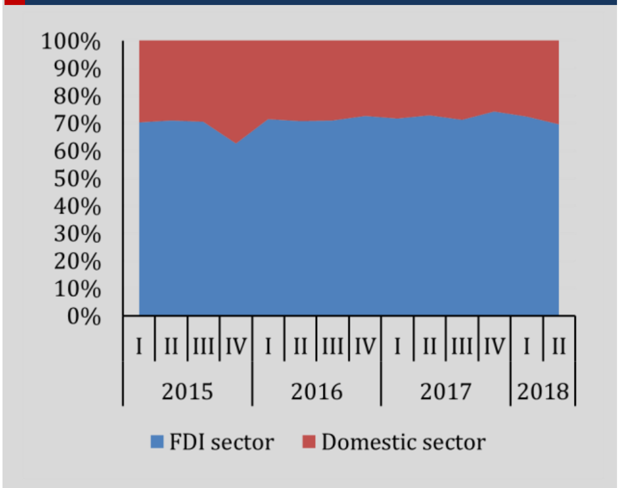
Currently, the VND has been still being anchored to USD. When the CNY depreciates sharply, Viet Nam's trade balance will be severely affected by cheap Chinese goods pouring into the domestic market. We suggest a policy of devaluation of the VND against the dollar by a moderate level lower than the depreciation of the CNY against the USD. As a country that imports a lot of raw materials from China for processing and export, adjusting the exchange rate in that way makes importers of raw materials from China more profitable besides additional benefits from export. On that basis, Viet Nam could simultaneously utilize these two major markets to improve its production and trade balance.

Trade Balance by Sector



Source: GSO

Exports by Sector



Source: GSO

Meanwhile, total import turnover in Q2 was estimated at $58.21 billion. Specifically, imports in the FDI sector accounted for $33.46 billion, and the domestic sector was $24.76 billion.

The FDI sector continued to be the trade leader of the Vietnamese economy with a trade surplus of $8.06 billion, up by 34.0% over the same period last year. Meanwhile, the domestic sector still suffered a trade deficit of $6.66 billion, equivalent to last year's deficit.

By exported goods in the first six months, heavy industries' products and minerals accounted for the highest proportion with $56.5 billion and 49.6% of total export turnover. Of which, main export items included mobile phones and components ($22.5 billion, up by 15.4%), electronics, computers and components ($13.5 billion, up by 15.7%) and machinery, equipment, and accessories ($7.8 billion, up by 10.6%). Light industry and handicraft products with $42.3 billion accounted for 37.1% of export turnover. Of which, key commodities with high export turnover were textile ($13.4 billion, up by 13.8%) and footwear ($7.8 billion, up by 10.6%).

Despite the recovery of crude oil prices, crude oil exports have fallen in both volume and value in the context of the Government's determination to reduce budget dependence on limited resources. In the first half of 2018, crude oil exports reached about $1 billion, down by 32.2%.

Meanwhile, imports soared in materials for the manufacturing sector, reaching $101.9 billion and accounting for 91.6% of total imports. Of which, machinery, equipment, and spare parts accounted for nearly half of the figure, reaching $45.0 billion and up by 0.7%.

By partners, after Q2, the US surpassed the EU as the largest export market of Viet Nam with turnover $21.5 billion in the first six months, up by 9.2% over the same period. Followers were the EU and China with $20.5 and 16.6 billion, respectively.

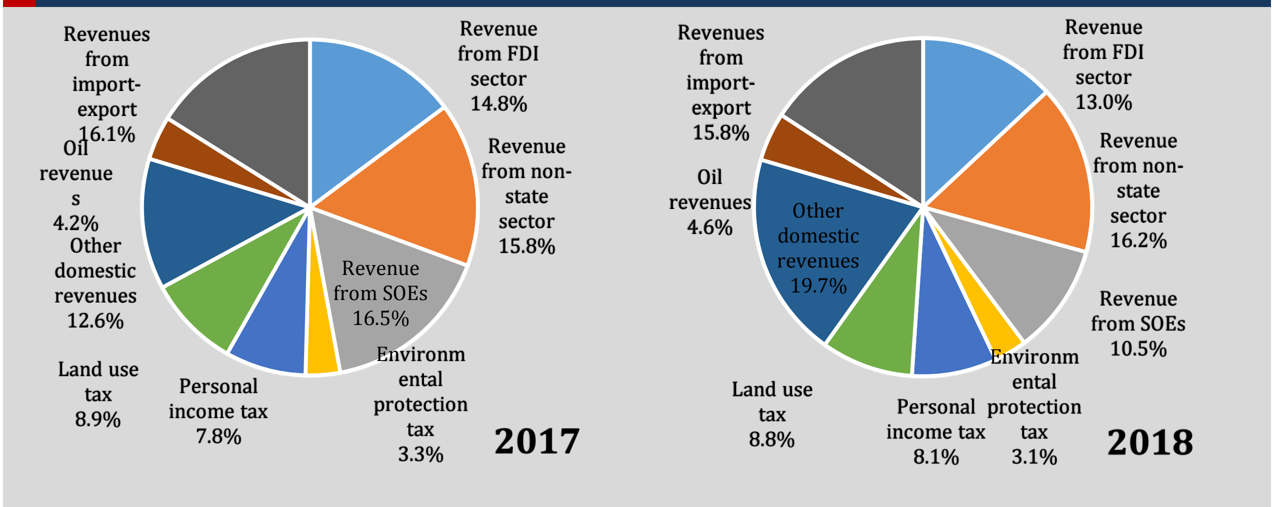
Meanwhile, regarding import partners, China remained the largest import market, reaching $31.3 billion (up by 15.6%) with important commodities such as fabrics, mobile phones, and components. The large import volume helped China replace Korea as the largest trade deficit partner of Viet Nam in the first half of 2018. The import of cars from the ASEAN market in the first half of 2018 faced difficulties due to standards from the Government's Decree 116, leading to the fact that price of imported vehicles is still high compared with expectations of consumers.

Budget deficit returned

After running a surplus of 21.48 trillion VND in Q1/2018, Viet Nam's budget balance has returned to deficit again in Q2 although the situation was still positive over the same period last year.

As of June 15, 2018, total state budget revenue reached 582.1 trillion VND, up by 16.2% (yoy) and equal to 44.1% of the whole year's plan. Of which, domestic revenue was 462.7 trillion VND, accounting for 79.5% of total revenue (2016: 80.8%; 2017: 79.7%). It is noteworthy that the share of revenues from the non-state sector increased from 15.8% (2017) to 16.2% (2018), emphasizing the increasing importance of the non-state sector to the national economy. Meanwhile, after the divestment from SOEs in 2017, the contribution of SOEs fell sharply from 16.5% (2017) to 10.5% (2018) of total state budget revenue, equivalent to 61.2 trillion VND. Together with slower labor growth, the contribution to the budget revenue of the FDI sector also decreased over the same period of 2017, from 14.8% to 13.0% of the total budget revenue.

Structure of state budget revenue in the first six months, 2017-2018



Source: Calculations from GSO's data

Meanwhile, total state budget expenditure was estimated at 586 trillion VND as of June 15, 2018, equal to 38.5% of the yearly plan. This led to a budget deficit of nearly 4 trillion VND in the first half of 2018, much lower than the same period of previous years (2016: 82.9 trillion, 2017: 32.5 trillion VND). Recurrent expenditures accounted for 71.0% of total expenditure, reaching 416 trillion VND. Meanwhile, development investment expenditure in the first six months reached 111.1 trillion VND, accounting for 19.0% of total expenditure and 27.8% of the whole year's plan. Expenditure for development investment improved significantly over the same period last year (19.0% versus 15.6% of total expenditure) but was still at a low level. This fact shows slow disbursement of public investment, requiring more efforts by the Government and Ministries to solve this chronic problem.

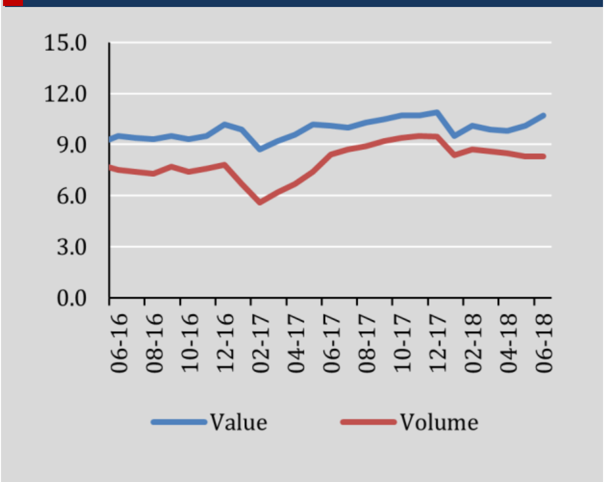
Consumption grew constantly, non-state investment witnessed the highest growth

Total retail sales of goods and services in the first half of 2018 were estimated at 2,120.9 trillion VND, up by 10.7% (yoy) compared to the same period of last year. Excluding price factors, consumption growth was 8.3%, lower than 8.4% of last year. This seems to reflect a strong recovery in prices this year.

Among commodities, necessities witnessed significant growth rate such as food and foodstuffs (up by 12.4%); garment (up by 12.3%); and household appliances (up by 12%).

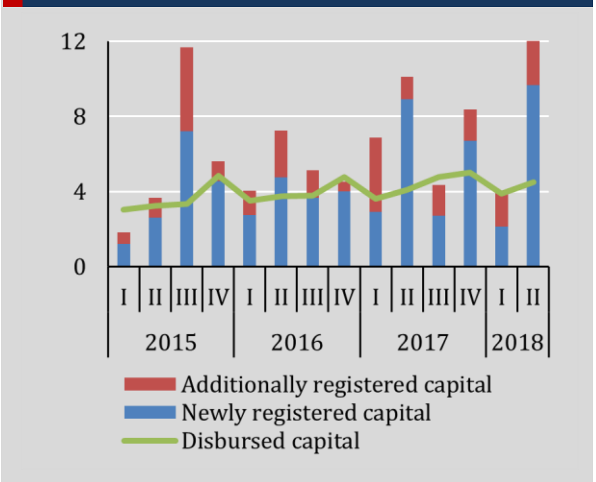
Regarding total social investment, Q2 witnessed a slight decline in growth over the previous quarter, but higher than the

Retail Growth (%, ytd, yoy)



Source: GSO

Foreign Direct Investment (bil. USD)



Source: MPI

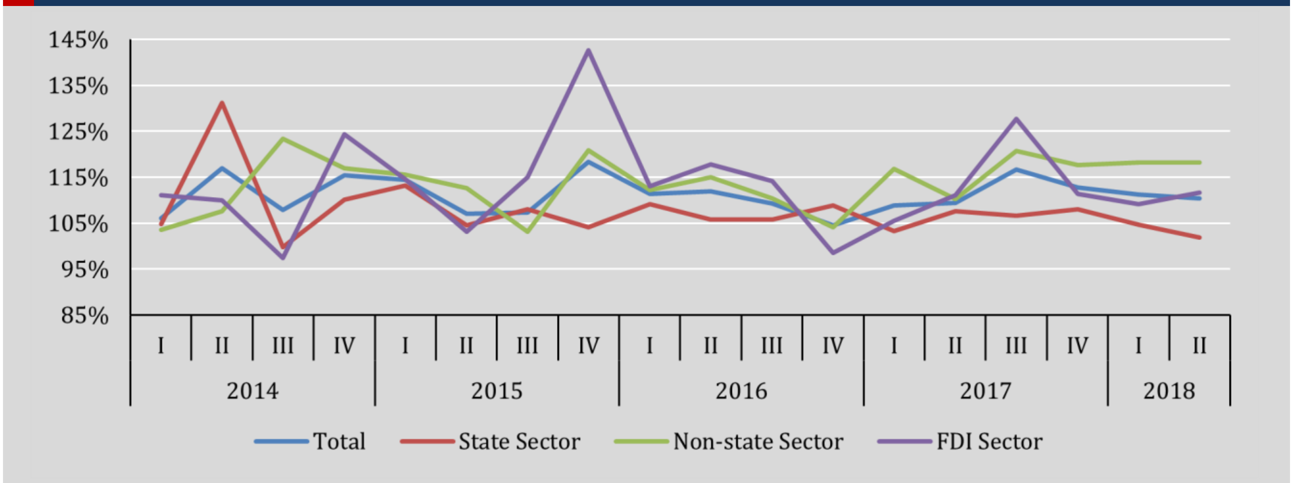
same period last year. The total investment capital in Q2 was estimated at 416.4 trillion VND, equal to 110.5% of the same period last year. Compared to Q2/2017, investment in all sectors of the economy had a higher growth rate. Of which, the non-state sector recorded the highest growth rate of 18.2%. The state sector increased only 1.9%, continuing to reflect slow disbursement of public investment.

Regarding foreign direct investment (FDI), the newly registered capital of Q2/2018 hit a record of $9.68 billion, up by 8.5% over the same period of 2017. The additionally registered capital was more than two times compared to the same period last year ($2.64 versus $1.20 billion). Meanwhile, the disbursed capital was $4.49 billion, up by 9.5% and 15.7%, compared to Q2/2017 and Q1/2018, respectively.

Out of 748 newly registered projects in Q2, 252 projects were in the manufacturing industry with a total registered capital of $4.47 billion. This number of projects was 1.5 times higher than that of the second sub-sector (252 vs. 170) in terms of FDI attraction. Large FDI projects in Q2 included the Smart City project in Dong Anh, Hanoi with a total investment capital of more than $4 billion, the Polypropylene (PP) and liquefied petroleum gas (LPG) factory in Ba Ria-Vung Tau with a total investment capital of $1.2 billion.

By partners in the first half of 2018, Japan was the number one investor in Viet Nam with a total registered capital of $6.466 billion and 201 new projects, especially the Smart City project. The following positions belong to Korea ($5.509 billion), Singapore ($2.390 billion) and British Virgin Islands ($1.185 billion).

Total Social Investment (yoy), 2014-2018



Source: Calculations from GSO's data

The monetary and financial markets

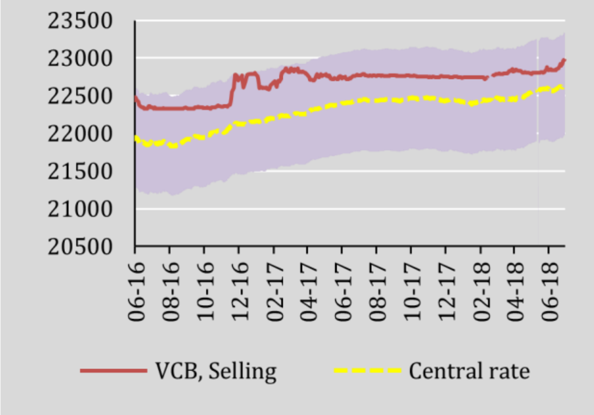
Exchange rate increased due to effects from the world market

The Fed's rate hike in Q2 was one of the most important factors that pushed the dollar up and made many currencies depreciate. This event had a significant impact on the VND/USD rate in Q2.

Accordingly, both the central rate and the selling rate at commercial banks increased slightly. Specifically, the selling rate at Vietcombank reached 22,990 VND/USD on June 29, up by 0.74% compared to the end of March and 1.08% compared to the beginning of 2018. Meanwhile, the central rate announced by the SBV was 22,650 VND/USD on June 29, up by 0.85% from the beginning of Q2. The USD in the parallel market also exceeded the threshold of 23,000 VND/USD. In the coming time, the exchange rate is still under increasing pressure in the context of international financial markets expressing concern as the US-China trade war has been escalated.

Similar to Q1, the trade surplus and the high disbursed FDI allowed the SBV to continue buying foreign currencies to replenish foreign exchange reserves in Q2. Specifically, according to the Governor of the SBV announcing at the Government's online meeting on July 2, the SBV bought about $11 billion in the first half of 2018.

Nominal Exchange Rate (VND/USD)



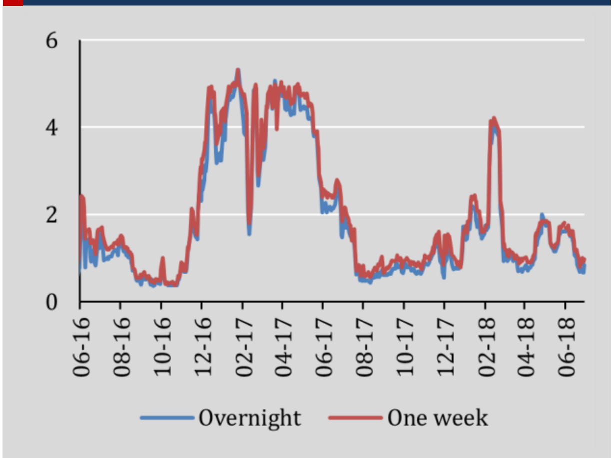
Source: SBV, VCB

This led to a record $63.5 billion in foreign exchange reserves. However, the amount of foreign exchange was only equivalent to about 13 importing weeks, equal to the level recommended by the IMF for the minimum amount of foreign exchange reserves a country should hold. Viet Nam needs to continue to accumulate foreign exchange reserves for more confidence in the integration process.

Liquidity of the banking system was quite abundant, interest rates slightly decreased

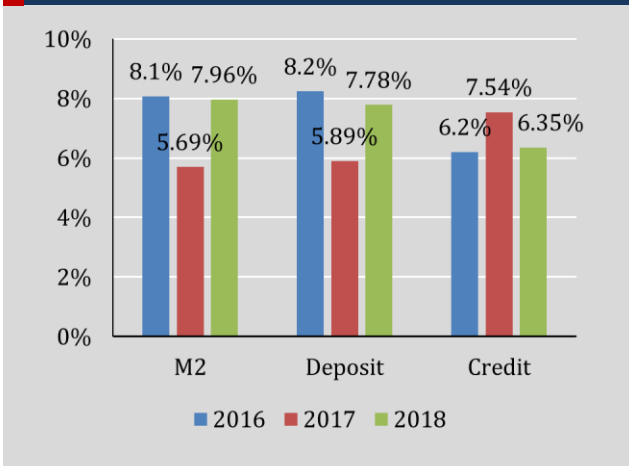
According to GSO's data, as of June 20, 1818, credit growth reached 6.35% compared to December 2017, lower than the same period of last year (2017: 7.54%). Commercial banks have to make much effort in the second half of the year to achieve the credit growth target of 17% set by the SBV. Meanwhile, deposit growth in

Interbank Offered Rate (%)



Source: SBV

Growth of M2, Deposit, and Credit, first 6 months, 2016-2018



Source: GSO

commercial banks was higher than the same period last year (7.78% vs. 5.89% in 2017). Plentiful supply on the capital market helps the liquidity of the banking system abundant, meeting credit demand of the economy. This is evident in interest rates. Specifically, some commercial banks have actively reduced by about 0.5%/year in interest rates on loans to trustworthy customers. Aside from credit-deposit growth, the liquidity of the banking system was also plentiful thanks to the SBV's purchase of $11 billion in the first half of 2018, while sterilizing only 62.5 trillion VND through OMO and T-bill channels.

However, given the depreciation of the domestic currency against the dollar, interest rate cuts may not continue. Meanwhile, interest rates on the interbank market experienced strong fluctuations. At the end of April and May, the interbank offered rates of all terms increased sharply. The highest rates for overnight and one-week terms were 2% and 1.86% respectively on April 27. Interest rates at the end of Q2 fell to the level equivalent to the end of Q1, reaching 0.84% and 0.98% on June 29 for overnight and one-week terms.

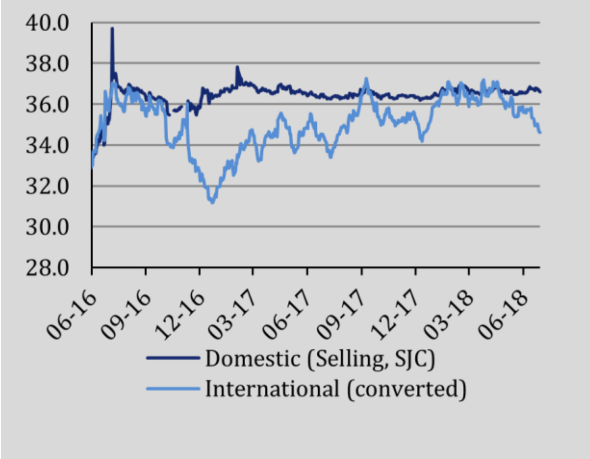
Asset markets

Domestic gold price was more stable than the world price

Domestic gold price remained stable while world gold price tended to fall sharply in the context of reduced geopolitical risk, along with the appreciation of the dollar.

Domestic gold price was stable around 36.6 million VND/tael throughout Q2. Meanwhile, the world price decreased from 36.4 million VND/tael (converted) at the end of March to 34.6 million VND/tael on the last trading day of June, down by nearly 5% after three months. Thus, the difference in price increased ten times from 0.2 million VND/tael to 2 million VND/tael.

Gold Price (mil. VND/tael)



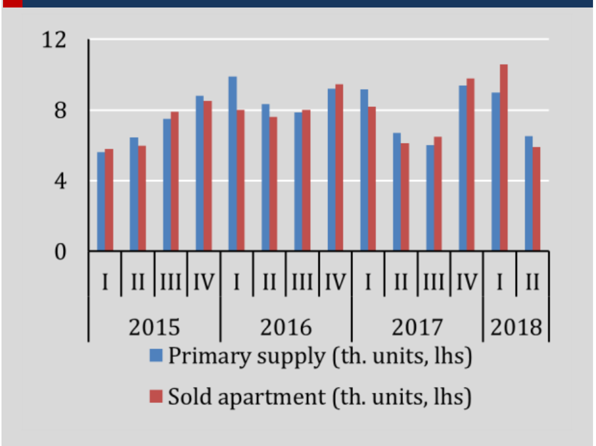
Source: SJC, www.gold.org

This reflected the little connection between the domestic and world gold markets.

Apartment market was depressing in Q2

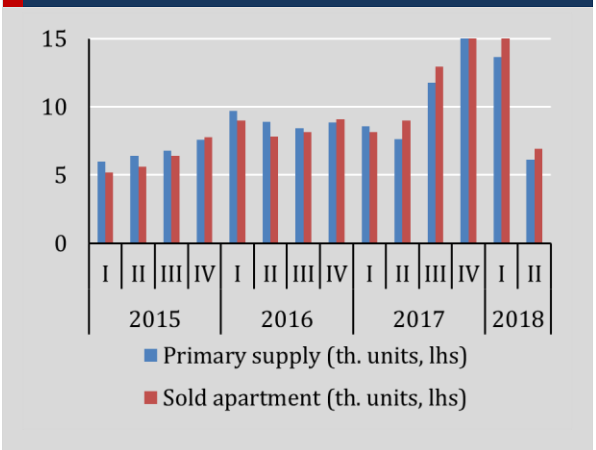
Q2/2018 witnessed a significant decline in the apartment market regarding both newly opened and successfully sold, compared to Q2/2017 and Q1/2018. On both Ho Chi Minh City and Hanoi markets, the mid-end segment still accounted for a large proportion.

Hanoi's Apartment for Sale



Source: JLL, CBRE

HCMC's Apartment for Sale



Source: JLL, CBRE

According to CBRE Viet Nam, in Hanoi market, total new apartments for sale in Q2 was 6,534 units, down slightly by 2.49% compared to Q2/2017 and down by 27.40% over Q1/2018. The number of sold apartments also declined to 5,900 units, down by 3.55% over the same period last year and down significantly by 44.34% compared to Q1/2018.

HCMC market witnessed a dramatic decline in the number of open sales and successful transactions. Specifically, the number of new apartments for sale in the quarter was 6,109 units, down by 55.24% and 19.94% compared to the Q1/2018 and Q2/2017, respectively. Meanwhile, sales were only 6,947 units, less than half of Q1/2018 and also down by 22.66% over the same period in 2017. The mid-end segment witnessed the largest decline at 62% (qoq).

While the average price in the primary market in Hanoi decreased by 0.4% (qoq), the price of this market in Ho Chi Minh City increased by 3% (qoq) due to the impressive growth of high-end projects.

Meanwhile, the real estate sector still attracted new foreign investors. According to data from Foreign Investment Agency of the Ministry of Planning and Investment, in the first half of 2018, the sector jumped to the second place after manufacturing sector in terms of FDI attraction with the total registered capital of $5.54 billion.

In the coming time when the SBV may raise interest rates of the VND to stabilize the exchange rate, the real estate market is likely to face a risk of decline. This is a major risk that businesses and investors need to be aware of as it will change the current overall state of the market.

PROSPECT FOR THE ECONOMY IN 2018 AND POLICY NOTES

Q1/2018 witnessed the different growth trends of the major economies in the world. While the US economy continued to recover, the remaining developed countries like the EU or Japan no longer grew as significantly as before. Meanwhile, China continued to maintain its steady growth. In the context of the trade war between the United States and major trading partners, open and small economies like Viet Nam will face both opportunities and challenges.

Vietnamese economy continued to grow well in Q2/2018, reaching 6.79% (yoy). Although not as high as the previous three quarters, this was the highest growth rate of Q2 in 10 years. Industrial Production Index in the first six months increased by 10.5% over the same period last year. Of which, the manufacturing industry continued to be the main driving force of economic growth with the IPI increasing by 12.7%. The return of a downtrend in the mining sector posed challenges in restructuring the industry which was once the main industry of Viet Nam.

Inflation in Q2 continued to rise amid recovery in food prices and high fuel prices. Meanwhile, core inflation rate was stable after rising sharply in February, suggesting that the SBV continues to pursue prudent monetary policy.

Viet Nam's trade is still on the positive growth momentum in the favorable context of global trade. However, the openness of the economy stayed high at above 190%, putting Viet Nam under many challenges if the global economy enters a period of an economic downturn due to trade wars. The global financial crisis of 2008 has been still a valuable lesson for Viet Nam. A feasible solution is that businesses should focus more on the domestic market with increasing purchasing power. If the domestic market is ignored, the potential for losing at homeland is huge as many

Growth-Inflation forecast 2018

With positive growth of 6.79% in Q2, and although economic outlook for the second half of the year may be grim, VEPR Research Team still believe the feasibility of the target growth of 6.5-6.7% for the year 2018 .VEPR's new calculations do not differ much from the latest forecast (late April, 2018), showing a 6.8% (yoy) growth rate.

In addition, in the context of rising food and fuel prices, we believe that in order to reach the average annual inflation rate of 4%, efforts should be made at all levels and especially the SBV's tight monetary policy.

In that context, we forecast growth and inflation in 2018 as follows:

Growth- Inflation in 2018 (%, yoy)

	Economic Growth	Inflation
Q1	7.45	2.66
Q2	6.79	4.67
Q3	6.65	4.65
Q4	6.55	4.13
2018	6.80	

Source: VEPR

foreign companies are now looking for business opportunities in Viet Nam. Of course, the world market is still the biggest opportunity for Viet Nam's products to grow in the long run thanks to its scale advantage.

Viet Nam's budget balance returned to a deficit in Q2, showing the temporariness of the surplus in Q1 and that Viet Nam is still facing many challenges in macroeconomic stability. Currently, Viet Nam's revenue is increasingly dependent on consumption taxes. Any proposal for an increase in consumption taxes (VAT, excise taxes, and so forth) should be considered cautiously because consumption taxes, despite being effective in terms of collection, are not considered to have a positive impact on consumption equality. Instead, the Government should take into account amendments to property taxes since the contribution of these taxes to the budget is fairly low. However, as direct taxes tend to arouse conflicting responses from taxpayers, before raising taxes, the government should improve transparency and accountability in budgetary control to convince people.

Recently, the Draft Law on Special Economic Zone has aroused controversy in academic circles and the public. Many experts fear that special economic zones with too many tax incentives for investors are likely to become a "tax heaven" where enterprises commit acts of tax evasion, especially transfer pricing. According to Oxfam's data, developing countries suffer annual budget losses of $170 billion due to tax evasion. This figure is huge in the context of developing countries' low budget revenue. In addition, James (2009) points out that 85% of investors in Viet Nam still decide to invest without tax incentives. Policymakers need to be aware of this fact when building the complete Law on Special Economic Zone to avoid giving too many incentives, causing incentive redundancy and large budget revenue loss. At the same time, large investment in special economic zones using state budget is an unwise decision in the context of inadequate public investment, which may lead to increased inequality for the domestic sector.

In the context of central banks or major economies pursuing tightening monetary policies and increasing inflation pressure, there is a possibility that the SBV may raise interest rates of the VND to stabilize the exchange rate. This is a major risk that businesses and investors need to be aware as it will change the current state of markets.

In the context of the US-China trade war, the tightening of the monetary union and the devaluation of the CNY, we believe that the best thing that can be done is to reduce the VND against the USD by a moderate level lower than the CNY depreciation against the dollar. As a country that imports a lot of raw materials from China for processing and export, adjusting the exchange rate in that way makes importers of raw materials from China more profitable besides additional benefits from export. On that basis, Viet Nam could simultaneously utilize these two major markets to improve its production and trade balance.

Finally, the possibility that Chinese commodities may pour much more into Viet Nam in the context of the US-China trade war needs to be better managed to avoid damaging domestic firms.

Note: Long-term and structural policies will be discussed in other policy reports of VEPR.

Abbreviations

BoJ	Bank of Japan
BoE	Bank of England
BSC	BIDV Securities Company
CNY	Chinese Yuan
ECB	European Central Bank
FDI	Foreign Direct Investment
FED	Federal Reserve
FIE	Foreign-invested enterprises
FMCG	Fast Moving Consumption Goods
GDP	Gross Domestic Product
GSO	General Statistics Office
HSCB	Hong Kong Shanghai Commercial Bank
LHS	left hand side
IMF	International Monetary Fund
MOLISA	Ministry of Labor, Invalid and Social Affairs
MOIT	Ministry of Industry and Trade
mom	month-on-month
MPI	Ministry of Planning and Investment
OECD	Organization for Economic Co-operation and Development
PMI	Purchasing Manager Index
qoq	quarter-on-quarter
RHS	right hand side
SBV	State Bank of Viet Nam
UN	United Nations
USD	the United State dollar
VAMC	Viet Nam Asset Management Company
VCB	Viet Nam Bank of Foreign Trade
VND	Vietnamese currency
WB	World Bank
yoy	year-on-year
ytd	year-to-date

Disclosure appendix

Author's Certification

The following author who are primarily responsible for this report, certify that the opinion on the subject or issues and/or any other views or forecasts expressed herein accurately reflect their personal views and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report: Nguyễn Đức Thành, Nguyễn Hoàng Hiệp, Lưu Hoàng Phú (VEPR Macroeconomic Research Team).

This document has been prepared and is being distributed by Viet Nam Institute for Economic and Policy Research (VEPR) and is intended solely for the customers of VEPR and is not for publication to other persons, whether through the press or other means. Advice in this document is general and should not be construed as personal advice.

Additional disclosures

This report is dated July 11, 2018. All data included in this report are dated June 30, 2018, unless otherwise indicated in the report.

VEPR has procedures in place to identify and manage any potential conflicts of interest that arise in connection with the authors. Any confidential and/or sensitive information is handled in an appropriate manner. All contributions and exchange, please send to: Viet Nam Institute for Economic and Policy Research, Room 707, E4 Building, 144 Xuan Thuy Street, Cau Giay district, Ha Noi. Email: info@vepr.org.vn

☐ MORE WORKING PAPERS

VMM18Q1 Viet Nam Quarterly Macroeconomic Report, Quarter 1 - 2018

VMM17Q4 Viet Nam Quarterly Macroeconomic Report, Quarter 4 - 2017

VMM17Q3 Viet Nam Quarterly Macroeconomic Report, Quarter 3 - 2017

PD-07: Evaluation of the Law on Public Debt Management of Vietnam and some Policy Implications

PD-06: Minimum Wages in Viet Nam: Preliminary Observations

PD-05: A brief on impacts of Brexit on the World Economy and Vietnamese Economy

WP-18: Development characteristics of SME sector in Vietnam: Evidence from the Vietnam Enterprise Census 2006-2015

WP-17: The 19th National Congress of the Communist Party of China: Preparation for a New Era

CONTACT US

Viet Nam Institute for Economic and Policy Research
University of Economics and Business, Viet Nam National University, Ha Noi
Address: Room 707, E4 Building
144 Xuan Thuy strt, Cau Giay dist
Ha Noi, Viet Nam
Tel: (84-24) 3 754 7506 - 704/714
Fax: (84-24) 3 754 9921
Email: info@vepr.org.vn
Website: www.vepr.org.vn