

Vietnam

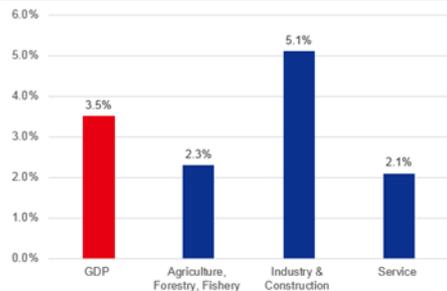
Economics Update

Facing new growth challenges

Robust public investment expansion in the first 7M20



2020F GDP growth by sector in baseline scenario



- We cut our 2020F GDP growth forecast by 1% pt to +3.5% in our baseline scenario due to growing uncertainties over the latest Covid-19 outbreak.
- Our 2020F average inflation rate is kept unchanged at 3.2% yoy.
- We expect to see robust public investment expansion to drive economic growth in the next few quarters.

Vietnam confirms first local Covid-19 transmission in 100 days

A fresh Covid-19 outbreak began on 25 Jul when a 57-year-old man in the central city of Da Nang was tested positive with the coronavirus, making this the first case of a Covid-19 community transmission after 99 days of no local transmission case. The outbreak has now spread to 15 localities, including Vietnam's two largest cities, with total cases of 525 as of 20 Aug.

Covid-19 casts shadow on Vietnam's 2H20F economic outlook

The second wave of the pandemic is having a negative impact on all aspects of Vietnam's economy, especially in the services sector and labour market. The recovery of domestic tourism could be halted as flights and hotel bookings are cancelled and holiday plans are delayed for fear of catching the virus. Also, the lockdowns in Da Nang city and Quang Nam province, along with the halt of some nonessential services in other provinces could stifle growth in some service sub-sectors, especially accommodation and catering, travel and entertainment. The pandemic has also affected the labour market, and the unemployment rate of those of working age edged up to 2.73% in 2Q20, from 2.22% in 1Q20, the highest level in a decade. We are concerned the second Covid-19 wave could further worsen the unemployment rate as the year progresses.

Government boosts public investment to invigorate the economy

The General Statistics Office (GSO) estimates the 1H20 disbursed social investment capital at current prices at VND850.3tr, up 3.4% yoy, the lowest growth in the FY16-20 period. FDI capital has fallen, with 1H20 disbursement sliding 4.9% yoy to US\$8.7bn, while registered FDI declined 6.9% yoy to US\$18.8bn. In order to offset the FDI decline and support growth, the government has accelerated public investment. The disbursed investment capital under the state budget (public investment) in 1H20 rose 21.5% yoy to VND157.4tr. The public investment accelerated further in Jul, with disbursed funds estimated at VND45.7tr (+13.6% mom), bringing total disbursed public investment capital in 7M20 to VND203tr (+27.2% yoy), way above the 4.7% increase in 7M19, and which made up 42.7% of the full-year target.

Exports maintain positive growth despite Covid-19

The General Department of Vietnam Customs said Jul's exports value rose 10.2% mom to US\$24.9bn (+8.2% yoy), the highest monthly level since Sep 2019, while the 7M20 exports value edged up 1.5% yoy to US\$147.6bn. The growth was spurred by domestic enterprises, whose exports value in 7M20 rose 13.7% yoy to US\$52.2bn. In contrast, 7M20 imports fell 3.2% yoy to US\$139.2bn as domestic demand weakened amid the rising unemployment rate and lower workers' incomes. As a result, the 7M20 trade surplus soared to US\$8.4bn, from US\$1.7bn in the same period last year.

We cut 2020F GDP growth to 3.5% in our baseline scenario

As we see more downside risks for the services sector and labour market in coming months amid the pandemic, we revise down our 2020F GDP growth forecast to 3.5% in our baseline scenario (from 4.5% previously). In this scenario, we forecast the services, industry and construction, agricultural, forestry and fishery sectors growing by 3.2% yoy, 6.6% yoy and 3.2% yoy, respectively, in 2H20F. We maintain a positive view on Vietnam's medium-term economic outlook, on the back of external demand recovery and the accelerated relocation of manufacturing facilities from China to Vietnam.

Economist(s)



Hinh DINH

T (84) 168 527 4887

E hinh.dinh@vndirect.com.vn

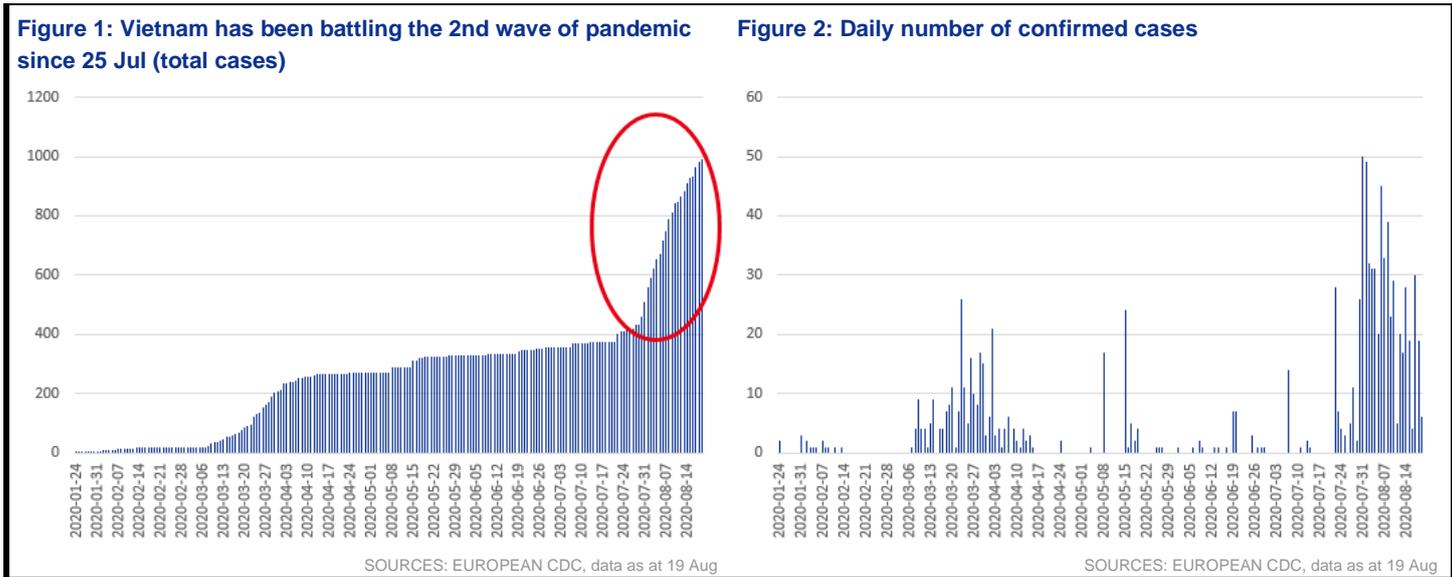
Facing new growth challenges

Vietnam hit by second Covid-19 wave

First case of community transmission in 100 days ►

A fresh Covid-19 outbreak began on 25 Jul when tests for the disease for a 57-year-old man in Da Nang confirmed he was infected with the coronavirus. This is the first case of community transmission after 99 days without any local infection case. The outbreak has now spread to 15 localities, including Vietnam’s two largest cities, with 525 people infected, including 25 deaths as at 20 Aug.

The Vietnamese government has taken drastic steps to curb the spread of the second wave. Several provinces and cities have been ordered to apply social-distancing rules, including Da Nang city and Quang Nam province, the hardest hit areas in this second wave. Several other cities also confirmed infections, such as Ho Chi Minh City and Hanoi, and the authorities have asked for the closure of some non-essential services, such as bars, discotheques, karaoke and massage parlours and other entertainment activities. Vietnam has also stopped passenger transportation to and from Da Nang, its third-largest city and one of its biggest tourist destinations. The Ministry of Health has sent the most experienced medical staff to Da Nang to fight the virus. With these strong moves, we believe Vietnam would be able to defeat the second wave of Covid-19, just as it had successfully fought against the first wave of the outbreak.



The latest outbreak casts shadow on Vietnam’s economic outlook in the near term

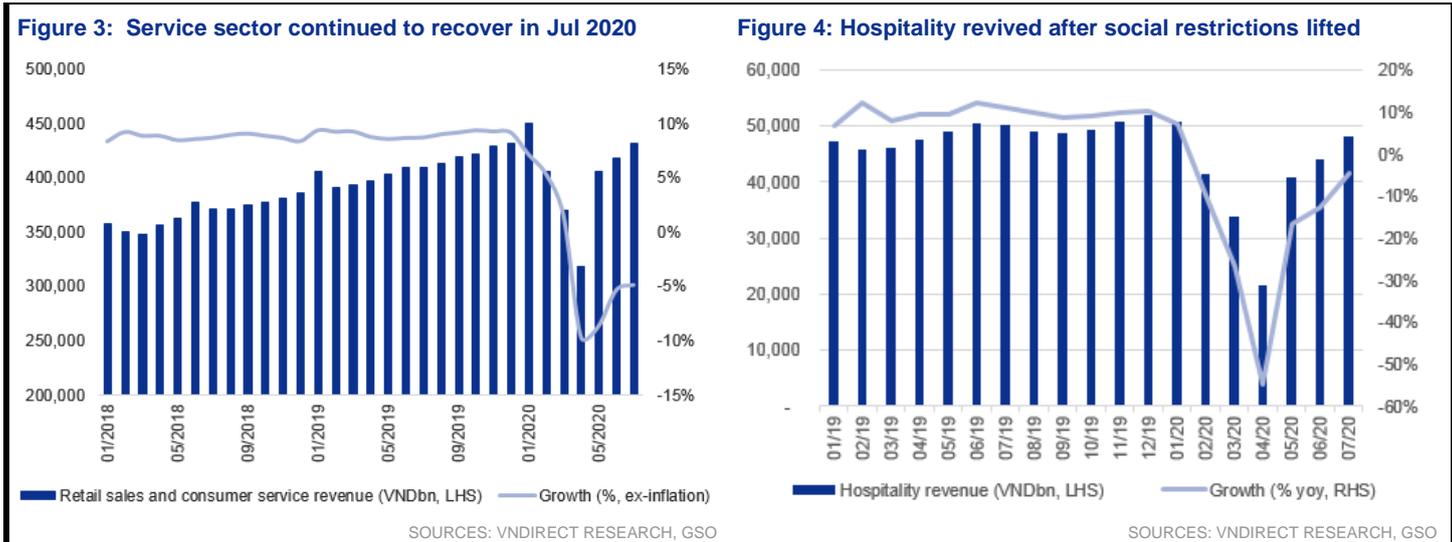
Covid-19 hits services sector hardest ►

We believe the services sector will again bear the brunt of the economic damage caused by this second Covid-19 wave. In 2Q20, the sector slid 1.8% yoy, (slowing from a 3.3% increase in 1Q20) as all service activities were strongly affected by nationwide social distancing measures imposed in Apr 20. The services sector made a steep recovery in May-Jul after the government lifted social-distancing rules. The total value of retail sales and services rose 3.3% mom and 4.3% yoy in Jul 2020, respectively (vs. +3.0% mom and +2.0% yoy in Jun 2020, and +27.7% mom and +0.6% yoy in May 2020). However, the recovery is expected to slow due to the pandemic’s second wave.

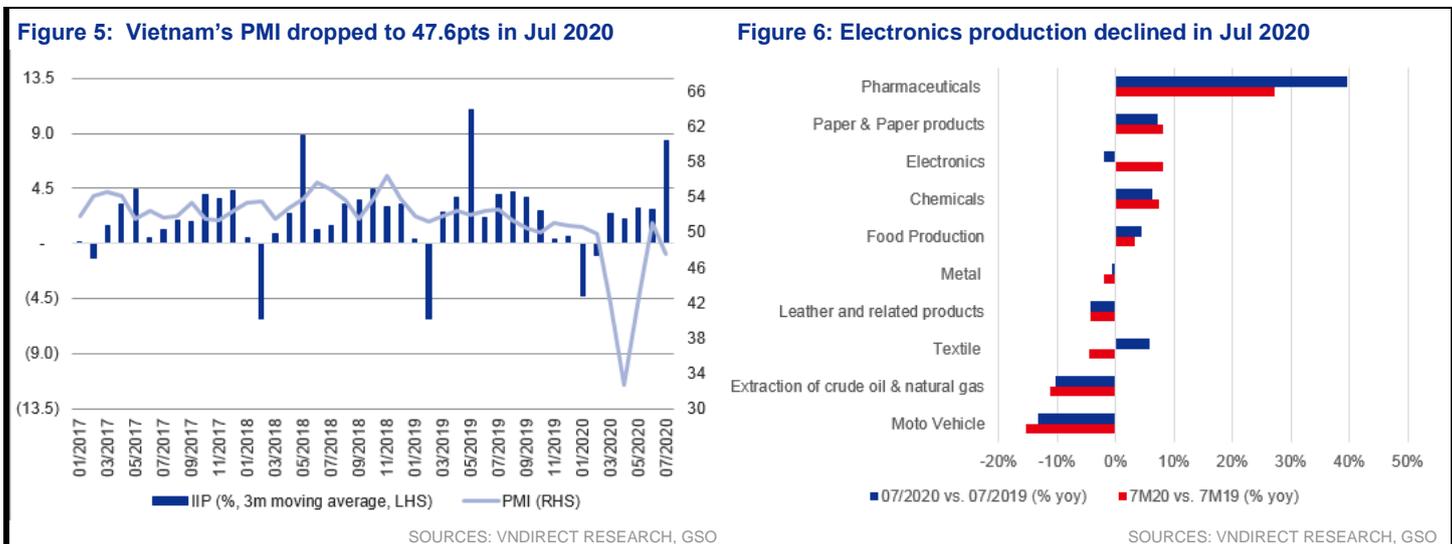
- Firstly, the recovery of tourism could be halted due to the fresh wave of outbreaks. Vietnam reopened the country to domestic tourism at the start of

May after having successfully contained the first wave of the pandemic. In the following three months, the number of domestic tourists recovered strongly and even reached pre-pandemic levels in Jun and Jul, with about 7m-8m tourists per month. However, the second Covid-19 outbreak could weaken this recovery momentum, at least in Aug-Sep, as reports suggest that many holidaymakers are cancelling flight and hotel bookings, or delaying their plans for fear of being infected by the disease while travelling.

- Secondly, the lockdowns in Da Nang city and Quang Nam province, along with the shutdown of some nonessential services in other provinces could reduce the growth of several service sub-sectors, especially accommodation and catering, travel and entertainment.



Industrial sector to witness a more bumpy recovery process ➤



Vietnam's IHS Markit PMI dropped to 47.6pts in Jul, from 51.1pts in Jun, indicating a contraction in manufacturing activities. Also, Vietnam's Jul Index of Industrial Production (IIP) rose by only 3.6% mom (slowing from 10.3% in Jun) and 1.1% yoy (lower than the 7.2% rate in Jun). The main reason for the strong recovery in Vietnam's manufacturing activities in Jun was the sharp increase in new orders for manufacturing products that had been compressed in the Mar-May period as major economies such as the United States and the European Union (EU) implemented social distancing to curb the spread of the virus. When these economies reopened, the new orders poured into Vietnam in Jun, but this did not last long because the world economy has been in a recession and global demand remains weak. Therefore, we expect Vietnam's industrial sector to experience a more bumpy recovery due to global supply chain disruptions and low external

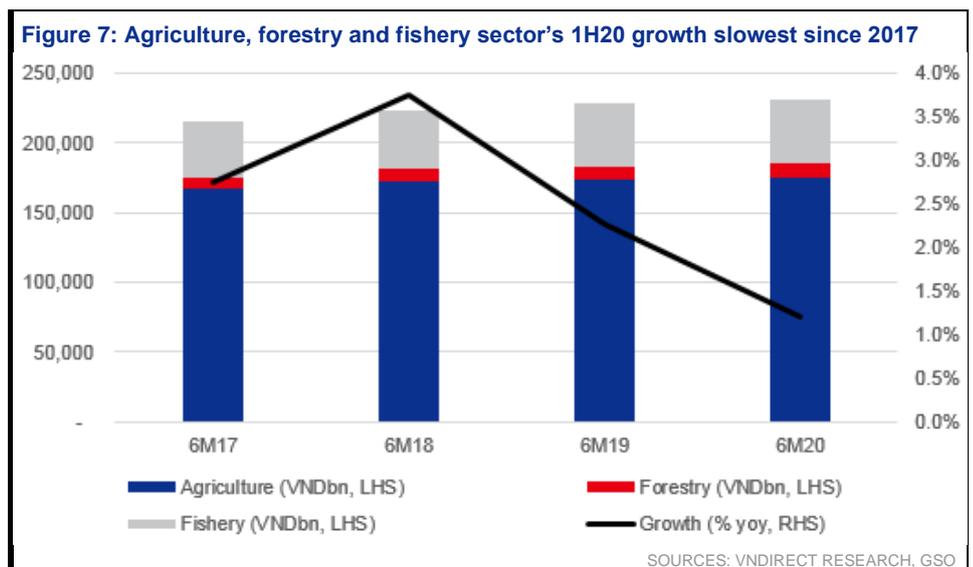
demand as the world continues to battle the pandemic. Sub-sectors likely to be most affected this time include oil and gas extraction, textiles and automobiles. In contrast, several sub-sectors could retain positive growth in 2H20F after they have been proven to be less affected in 1H20, including food production, chemicals and pharmaceuticals

Agriculture sector posts lowest 1H growth since 2017 >

The agriculture, forestry and fishery sector grew by only 1.2% yoy in 1H20, the lowest first-half rise since 2017, as this sector was negatively affected by: (1) tightened cross-border trade amid the pandemic, (2) climate change, and (3) the spread of the African Swine Fever (ASF). By sub-sector, agriculture edged up 0.8% yoy, forestry climbed 2.2% yoy, while fishery rose 2.4% yoy.

According to the Ministry of Agriculture and Rural Development, 1H20's total export value of agricultural products dropped 3.4% yoy to about US\$18.8bn. The main reason for the decline of agricultural exports was tightened cross-border trade and weaker external demand amid the spread of Covid-19 across the major import markets for Vietnam's agricultural products, including the United States, the European Union, China and Japan.

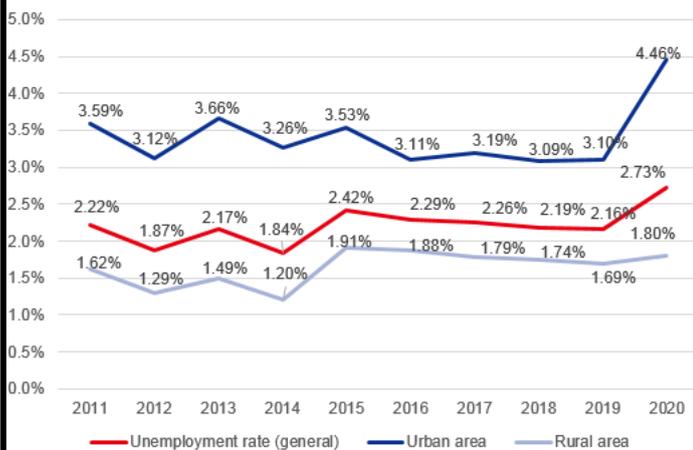
The agriculture, forestry and fishery sector was also affected by the recurrence of ASF in 1H20. According to the General Statistics Office (GSO), the size of Vietnam's pig herd in Jun 2020 fell by 7.5% yoy, while the total live pork output in 1H20 declined by 8.8% yoy to 1.6m tonnes.



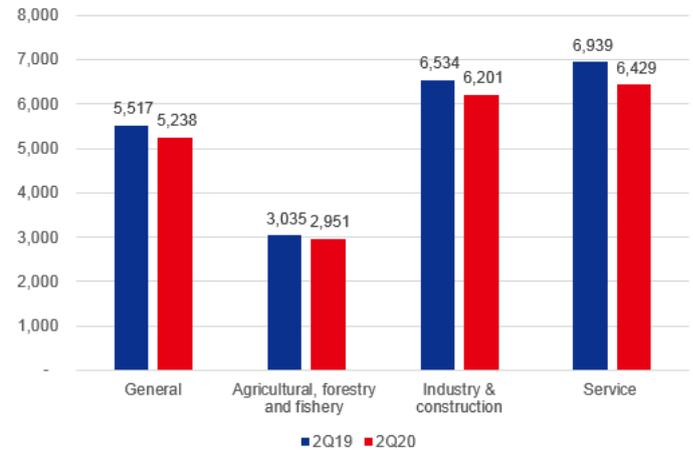
Unemployment rate hits 10-year high >

The Covid-19 pandemic has had negative impacts on the labour and employment markets. According to the GSO, the unemployment rate among Vietnamese of working age edged up to 2.7% in 2Q20 (vs. 2.2% in 2Q19) from 2.2% in 1Q20, the highest level in the last decade, as the number of unemployed persons of working age rose to nearly 1.5m, or 363,900 people higher than in the previous quarter, and 726,600 more than the same period last year. The unemployment rate among those of working age in urban areas was 4.5% in 2Q20, the highest in the last 10 years, and 1.4% pt above that in the same period last year, while the unemployment rate in rural areas advanced 0.1% pt yoy to 1.8% in 2Q20.

Workers' incomes were also strongly affected by the pandemic. According to the GSO, the average monthly income of informal workers in 2Q20 dropped 9.2% qoq and 4.9% yoy. To be more specific, the services sector recorded a 7.3% yoy decline in the average monthly income of informal workers in 2Q20, the deepest decline among the three economic sectors, while that in the industry and construction sector and the agriculture, forestry and fishery sector dropped by 5.1% and 2.8%, respectively.

Figure 8: Unemployment rate hits 10-year peak


SOURCES: VNDIRECT RESEARCH, GSO

Figure 9: Average month income by sector ('000 VND)


SOURCES: VNDIRECT RESEARCH, GSO

But Vietnam’s economy is still capable of maintaining sustainable growth in 2H20F

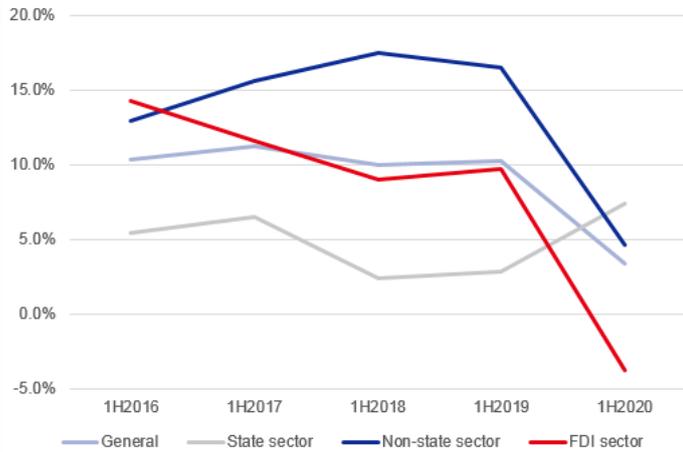
Government accelerates public investment to offset decline in foreign direct investment (FDI) ➤

The GSO estimates the 1H20 disbursed social investment capital at current prices rose 3.4% yoy to VND850.3tr, the lowest growth in FY16-20, of which the state sector’s capital reached VND273.5tr, accounting for 32.2% of the total, and which rose 7.4% yoy; the non-state sector’s capital grew 4.6% yoy to VND375.9tr, contributing 44.2% of the total, while the FDI sector’s capital fell 3.8% yoy to VND200.9tr, or 23.6% of the total capital.

As for the FDI sector, its disbursement, often described by the GSO as “the implemented capital”, dropped 4.9% yoy to US\$8.7bn in 1H20. Disbursement in Jul alone edged up 1.4% yoy to US\$1.5bn, however the 7M20 value still showed a 4.1% yoy decline, falling to US\$10.1bn. The registered capital of FDI projects in 7M20 dropped 6.9% yoy to US\$18.8bn. We expect the FDI sector’s investments to stay low in 2H20F as foreign investors postpone their plans due to concerns over global economic prospects as the Covid-19 outbreak continues to affect many countries.

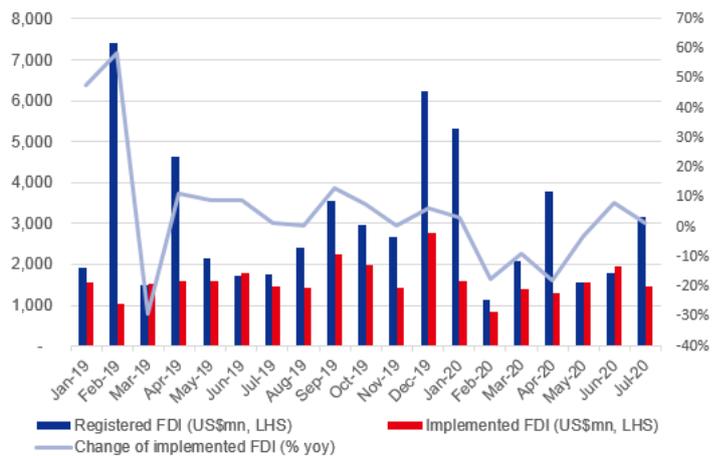
We also saw the weakening in investment by the non-state sector. Its disbursed capital in 1H20 grew by only 4.6% yoy, the lowest rate in FY16-20. As most aspects of the economy have been affected by the pandemic, a number of domestic private companies have delayed their business expansion plans, which led to a slowdown in the sector’s disbursed investment. We think that it is very difficult for the non-state sector to maintain its growth rate of disbursed investment as high as the 14-18% per year in the FY16-19 period. For 2020F, we expect the sector’s disbursement to edge up by only 5-6% from FY19.

Figure 10: 1H20 disbursed social investment increased at its lowest pace during FY16-20 period



SOURCES: VNDIRECT RESEARCH, GSO

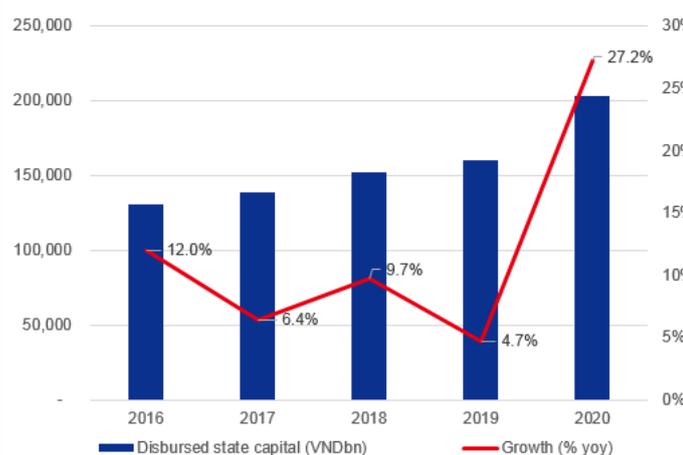
Figure 11: FDI disbursements decreased in 7M20



SOURCES: VNDIRECT RESEARCH, GSO

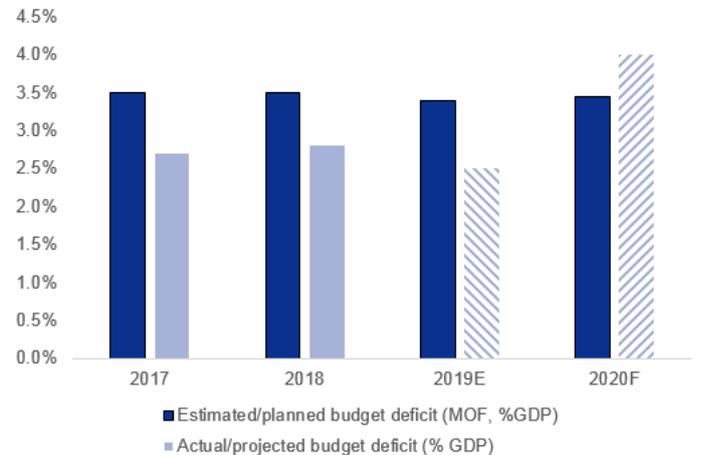
In order to reverse the downtrend in GDP growth due to the weakening of investment by non-state and FDI sectors, the government has made aggressive steps to boost public investment. On 6 Apr it issued a decree on guiding the implementation of the amended Law on Public Investment, providing regulations on capital management, settlement and specific direction for individuals and organisations to prevent delays in public investment disbursement. The government also allowed the transfer of public investment from projects with slow disbursements to projects where the disbursement pace is quicker. Thanks to these effective measures, disbursed investment under the state budget (public investment) in 1H20 jumped 21.5% yoy to VND157.4tr. Public investment accelerated further in Jul, with an estimated VND45.7tr in disbursed capital (+13.6% mom). For 7M20, total disbursed public investment jumped 27.2% yoy to VND203tr, way above the 4.7% rate in 7M19, and which completed 42.7% of the government’s full-year target.

Figure 12: Disbursed public investment in the first seven months in FY16-20 period



SOURCES: VNDIRECT RESEARCH, GSO

Figure 13: Budget deficit is expected to widen in 2020F



SOURCES: VNDIRECT RESEARCH, GSO

We expect the government to further accelerate the disbursement of public investment throughout 2021F to support growth. Most of the public investment projects are infrastructure construction investments, with project durations of 2-4 years. Six of the 11 sub-projects in the eastern section of the North-South Expressway that were implemented between 4Q19-4Q20 will be built in 2021F and are expected to be completed in the 2022-23F period. The remaining sub-projects in the same section are expected to be implemented in the next coming quarters. Furthermore, the government also plans to start Phase 1 construction of the Long Thanh airport, with a total investment of up to VND114,451bn, in May

2021. Therefore, we expect public investment disbursements to sustain their high growth rate in 2021F.

Figure 14: A pipeline of mega projects in 2020-26F

Project	Total investment (VND bn)	Starting time	Completion
Metro 1 (Ben Thanh - Suoi Tien)	43.757	2012	4Q21
Metro 2 (Ben Thanh - Tham Luong)	47.800	2021	2026
HCM - Thu Dau Mot - Chon Thanh Highway	24.150		2021-2025
HCM - Moc Bai Highway	10.668	2021	2026
Parallel Road for 50 Route	3.816		2021-2025
Belt Road 2	6.500		2021-2025
Belt Road 3	19.871		2022-2025
Soai Rap Dredging Project (Phase 3)	8.977		2021-2025
The water environment improvement Project (Phase 2)	11.282	2015	2021
Long Thanh International Airport	114.451	2021	2025
11 sub-projects of the eastern section of the North-South expressway	118.716	2020	2021-2025

SOURCES: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT

Figure 15: Eleven sub-projects in the eastern section of the North-South expressway and My Thuan–Can Tho expressway

Expressway	Total investment (VNDbn)	Length of the route (km)	Starting time	Financing format
Cao Bo - Mai Son	1,612	15	4Q19	Public investment
Cam Lo - La Son	7,900	98	1Q20	Public investment
My Thuan Bridge 2	5,125	7	1Q20	Public investment
Mai Son – National Highway 45	14,703	63	3Q20	Public investment
Vinh Hao - Phan Thiet	19,648	101	3Q20	Public investment
Phan Thiet - Dau Giay	19,571	99	3Q20	Public investment
Dien Chau - Bai Vot	13,596	50	2021-2025	PPP
Nha Trang - Cam Lam	5,131	49	2021-2025	PPP
Cam Lam - Vinh Hao	15,013	78	2021-2025	PPP
National Highway 45 – Nghi Son	7,769	43	2021-2025	PPP
Nghi Son - Dien Chau	8,648	50	2021-2025	PPP
Total	118,716	653		
My Thuan - Can Tho	4,758	23	3Q20	Public investment

SOURCES: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT

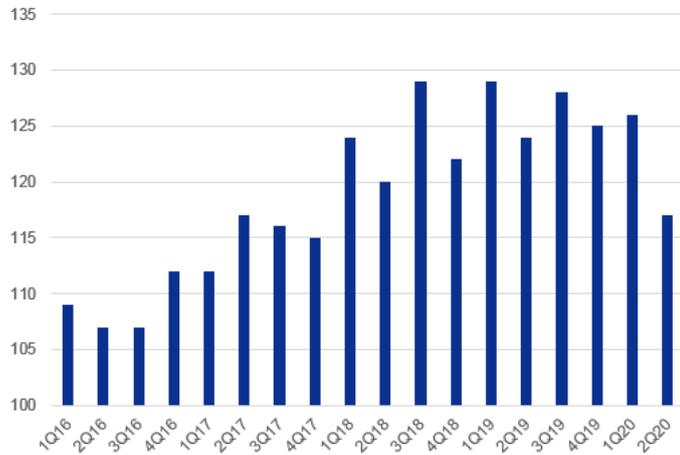
Confidence in the resilience of Vietnam's economy ➤

According to Nielsen, Vietnam was the second most optimistic country globally (after India) with a consumer confidence index of 117 points in 2Q20 – despite being down 9 points from the previous quarter. Vietnam is among 12 of 68 markets in the survey that reported confidence levels above 100, the threshold above which is considered positive, while below it indicates negative. Meanwhile, the Conference Board global consumer confidence index dropped to 92pts in 2Q20 from 106pts in 1Q20, the largest quarterly decline since the index began in 1Q05. This 14-point decline was also double the largest drop in the index during the global financial crisis in FY08-09, per Nielsen's report. In this report, Vietnam is also placed at the top globally in terms of saving intentions, followed by Hong Kong and Singapore. We believe that a combination of relatively high consumer confidence and high savings rate of residents provide the fundamentals for a strong recovery in domestic demand and social investment in Vietnam after the second wave of the pandemic is contained.

On business registration, the total number of newly-registered enterprises and re-operated enterprises in 7M20 edged up 0.2% yoy to 103,812. The positive growth rate indicates the confidence of the business community in the recovery prospects of Vietnam's economy in 2H20F. To be more specific, the number of newly-registered enterprises dropped 5.1% yoy to 75,248, while their registered capital fell 6.3% yoy to VND936.4tr. However, we saw a strong increase in the number of enterprises that resumed operations, rising 17.6% yoy to 28,564 enterprises. The number of enterprises suspending operations temporarily rose 41.5% yoy to 32,722; the number of enterprises ceasing operations and awaiting dissolution

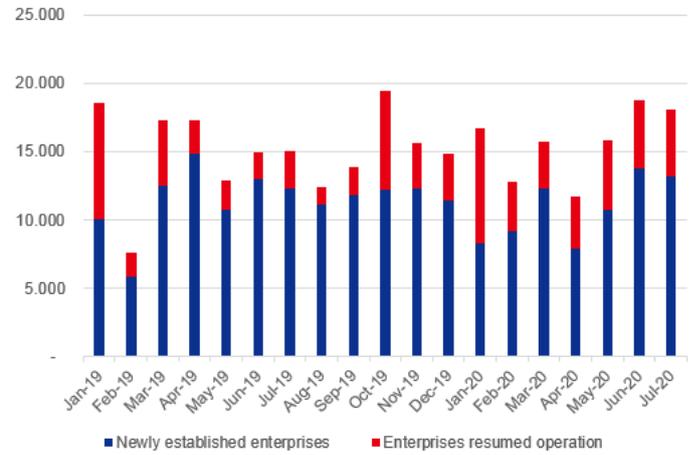
procedures dropped 12.2% yoy to 21,802; while the number of companies that have completed dissolution procedures slid 3.5% yoy to 8,937 in 7M20. The combined number of these categories rose 10.9% yoy to 63,461 enterprises in 7M20.

Figure 16: Vietnam's consumer confidence index dropped 9pts in Jul 2020



SOURCES: VNDIRECT RESEARCH, Nielsen

Figure 17: Total number of newly-established enterprises and enterprises resuming operations have risen since Apr 2020

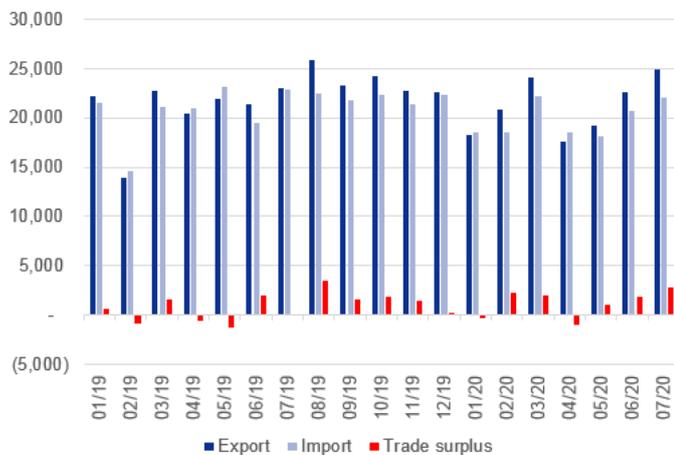


SOURCES: VNDIRECT RESEARCH, GSO

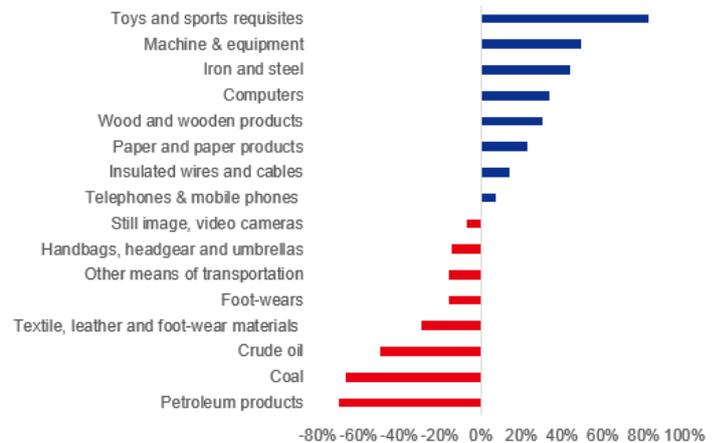
Exports maintain positive growth despite pandemic ➤

Global trade is expected to slow in 2020F as the global supply chain is disrupted by the Covid-19 pandemic. According to World Trade Organization's (WTO) forecasts, the total export and import values globally in 2020F could decline 13% yoy. Despite the gloomy outlook for global trade, Vietnam stands out as one of the very few countries that maintained a positive export growth in 7M20. According to the General Department of Vietnam Customs, Jul exports rose 10.2% mom to US\$24.9bn (+8.2% yoy), the highest monthly level since Sep 19. Its 7M20 exports edged up 1.5% yoy to US\$147.6bn. The growth was spurred by domestic enterprises, with total export value up 13.7% yoy to US\$52.2bn, while that of FDI companies dropped 4.2% yoy to US\$95.4bn. The data also suggests that Vietnam may be benefitting from the US-China trade dispute as a small part of China's export orders are transferred to Vietnamese companies. The items that recorded the highest export growth in 7M20 include rice (+14.0% yoy), fertiliser (+18.9% yoy), computers (+26.7% yoy); insulated wires and cables (+28.1% yoy), machine and equipment (+30.0% yoy), paper and paper products (+32.4% yoy), and toys and sports requisites (+71.4%). In contrast, some items saw negative growth, including fishery products (-6.1%), fruit & vegetables (-13.4%), textile, leather and foot-wear materials and auxiliaries (-18.8%), coal (-20.3%), crude oil (-26.6%), and petroleum products (-46.2%).

As for imports, Vietnam's Jul imports value rose 6.7% mom to US\$22.1bn (-0.5% yoy). Its 7M20 imports fell 3.2% yoy to US\$139.2bn due to the decline in domestic demand amid from higher unemployment rates and lower workers' incomes. As a result, the 7M20 trade surplus widened to US\$8.4bn, from a surplus of US\$1.7bn seen in the same period last year. We forecast 2020F exports to increase 1.7% to US\$268.6bn, and imports to drop by 0.4% yoy to US\$252.2bn. We thus expect the trade surplus to jump 44% yoy to US\$16.4bn in FY20F. We expect the widening trade surplus to support the country's GDP growth and the Vietnamese dong relative to other currencies.

Figure 18: Exports continued to recover in Jul 2020 (US\$ m)


SOURCES: VNDIRECT RESEARCH, General Department of Vietnam Customs

Figure 19: List of export products that changed the most in Jul 2020 (% yoy)


SOURCES: VNDIRECT RESEARCH, General Department of Vietnam Customs

We revise down 2020F GDP growth due to second wave of Covid-19 outbreak

We expect the new wave of Covid-19 infections to have a negative impact on Vietnam's economy, especially in the services sector and labour market, as we highlighted in more detail above. As such, we have revised our forecasts and present two scenarios for Vietnam's economic outlook in 2H20F.

Figure 20: Key indicators in our baseline scenario

Indicator	Unit	2017	2018	2019	2020F		2021F
					Old	New	
Real GDP growth	% yoy	6.8	7.1	7.0	4.5	3.5	7.1
Agriculture, forestry, aquaculture	% yoy	2.9	3.7	2.0	2.3	2.3	3.1
Industry & construction	% yoy	8.0	8.5	8.9	7.3	5.1	8.9
Services	% yoy	7.4	7.0	7.3	2.5	2.1	7.1
CPI (period average)	% yoy	3.5	3.5	2.8	3.2	3.2	2.9
Credit growth	% yoy	18.3	13.9	13.7	9.0-10.0	8.0-9.0	13.0-14.0
M2 growth	% yoy	15.0	12.4	14.8	9.0-10.0	9.0-10.0	13.0-14.0
Refinancing rate	%	6.25	6.25	6.0	4.0-4.25	4.0-4.25	4.0-4.25
Exchange rate (USD/VND)	% yoy	1.2	1.8	1.4	1.5	0-1.0	0.5-1.5
Fiscal balance	% of GDP	-2.7	-2.8	-2.5	-4.0	-4.0	-3.5
Public debt	% of GDP	61.3	58.4	56.1	55.5	55.5	54.5

SOURCES: VNDIRECT RESEARCH

We cut 2020F GDP growth to 3.5% in our baseline scenario ➤

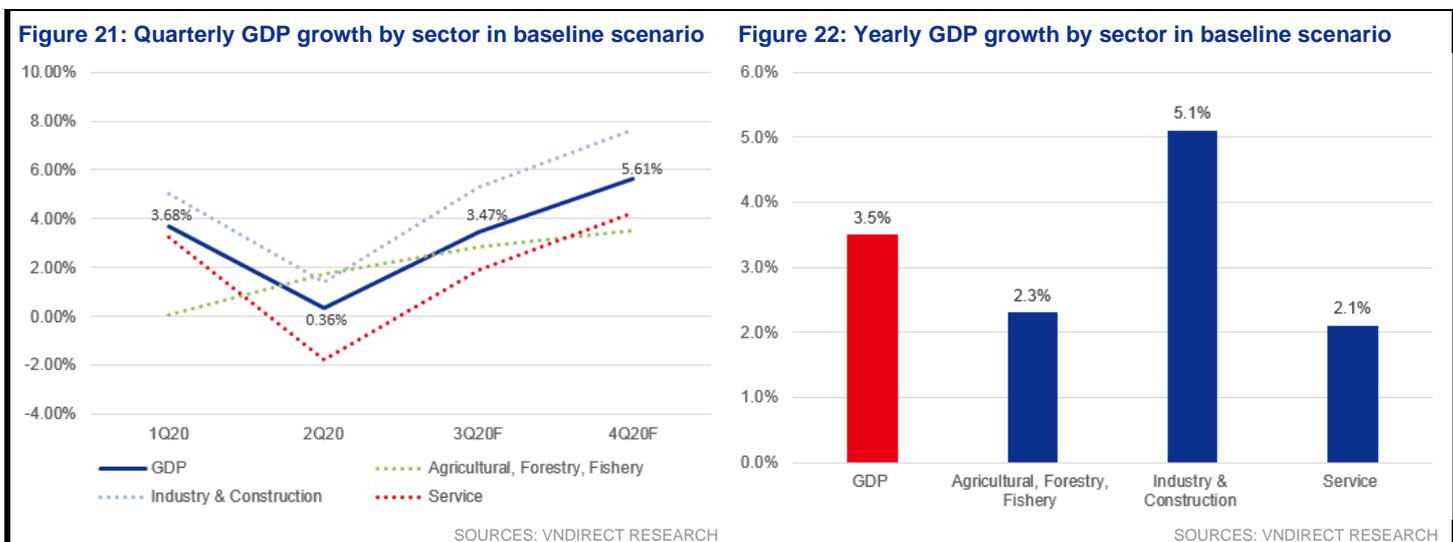
Our baseline scenario is based on the following key assumptions:

- Vietnam would completely contain the second wave of the pandemic in 3Q20F. Hanoi and Ho Chi Minh City, Vietnam's two largest economic centres, would not face lockdown or social distancing under the government's Directive 16 on the implementation of urgent measures for prevention and control of Covid-19 pandemic.
- International flights could be licensed for commercial purposes from mid-4Q20F.
- Large countries, such as the United States, the EU as a whole and Japan, could effectively block the second wave of infections and continue to open their economies.

In our baseline scenario, the services sector would be hit hard by the second wave of infections. Some service sub-sectors, including accommodation, tourism, passenger transportation and entertainment may record negative growth in 3Q20F before rebounding in 4Q20F after the government eases social distancing

rules in Da Nang city and allows non-essential services to reopen. We forecast the services sector rising only 3.2% yoy in 2H20F, higher than the 0.6% growth in 1H20 but much lower than the 7.7% growth in 2H19. The industry and construction sector could be less affected by the second wave of the pandemic and is expected to grow by 6.6% yoy in 2H20F, an improvement from the 3.0% rate in 1H20, as manufacturing sub-sectors may recover strongly in 2H20F when global supply chains resume and the accelerating public investment expands construction activities in 2H20F. We expect the agricultural, forestry and fishery sector to grow by 3.2% yoy in 2H20F, from 1.2% in 1H20 for the following reasons: (1) the United States, the EU and Japan, Vietnam's main agricultural export markets, are reopening their economies, which will boost demand for Vietnam's agricultural products, especially seafood such as pangasius and shrimp; and (2) the government is accelerating pig herd recovery after the ASF has been brought under control.

In our baseline scenario, we forecast 3Q20F GDP growth at 3.5% yoy before accelerating to 5.6% in 4Q20F.



However, if the new wave of the pandemic worsens, Vietnam's 2020F GDP growth could drop to 2.3% ➤

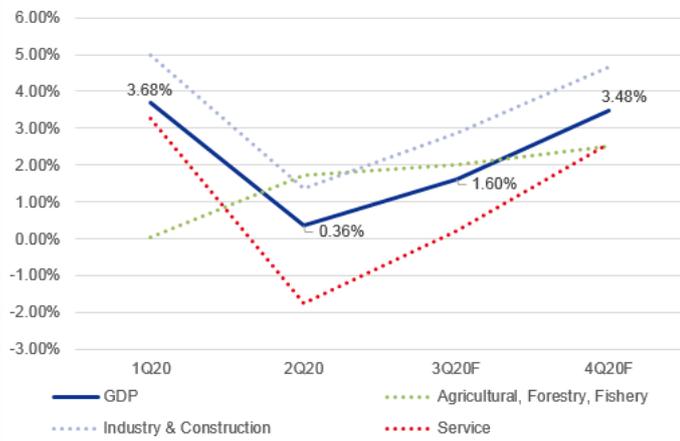
Our worst-case scenario is based on the following key assumptions:

- The second-wave of infections would last longer and only be completely contained by mid-Nov. Hanoi and Ho Chi Minh City could be ordered to apply social distancing rules under the government's Directive 16 on the implementation of urgent measures for prevention and control of Covid-19 pandemic if infections rapidly escalate.
- International commercial flights would not be allowed until end-FY20.
- The reopening of major economies could be halted as infections dramatically increase.

In the worst-case scenario, the pandemic's negative impact on the services sector would be prolonged and exacerbated. Service sub-sectors including accommodation, tourism, passenger transportation and entertainment could see sharp yoy declines in 3Q20F, with a level quite similar to that of 2Q20, and another negative growth expected in 4Q20F. In this scenario, we forecast the services sector expanding by only 1.5% yoy in 2H20F (vs. 0.6% in 1Q20 and 7.7% in 2H19). The industry and construction sector could rebound at a slower pace due to global supply chain disruptions and lower external and domestic demand. We forecast the industry and construction sector growing by 3.9% yoy in 2H20F (vs. 3.0% in 1H20 and 8.9% in 2H19). For the agricultural, forestry and fishery sector, we forecast an expansion of 2.3% yoy (vs. 1.2% in 1H20 and 1.8% in 2H19) due to lower external demand for Vietnam's agricultural products.

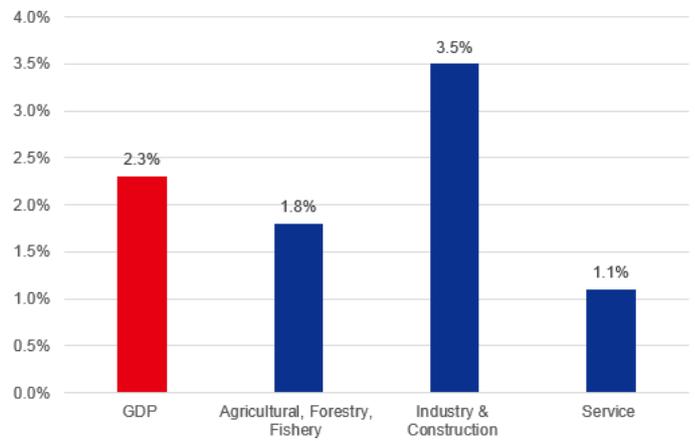
In our worst-case scenario, we forecast 3Q20F GDP to inch up 1.6% yoy before improving to 3.5% in 4Q20F.

Figure 23: Quarterly GDP growth by sector in worst-case scenario



SOURCES: VNDIRECT RESEARCH

Figure 24: Annual GDP growth by sector in worst-case scenario

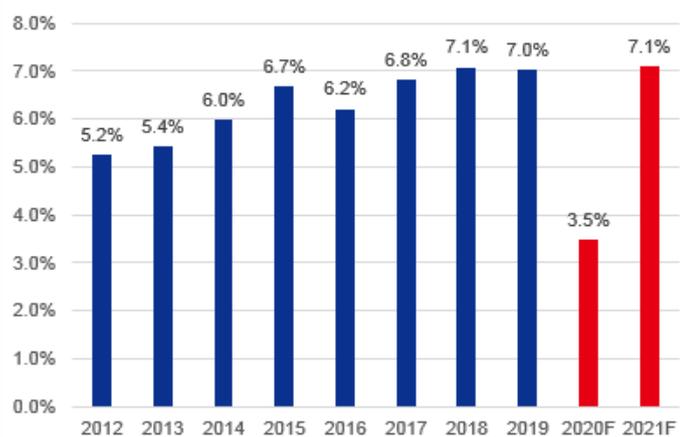


SOURCES: VNDIRECT RESEARCH

We expect GDP to rise 7.1% yoy in 2021F ➤

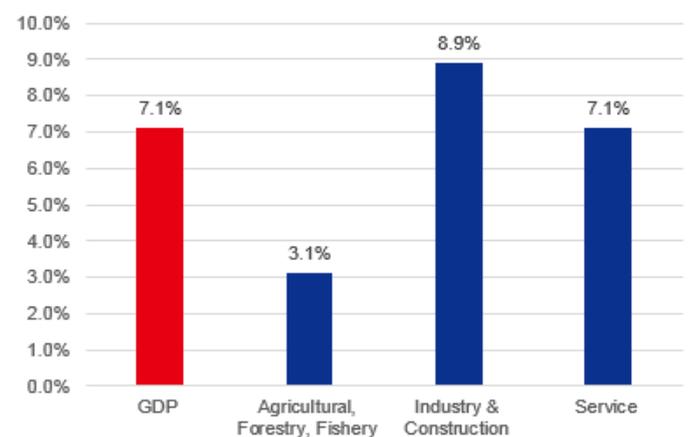
We expect the global economy, as well as Vietnam’s, to recover strongly in 2021F after the pandemic is contained with the wide availability of a vaccine. Currently, there are many vaccines being developed and are expected to be commercially produced from the beginning of 2021F. We expect that the vaccine will help countries successfully contain the pandemic, thus creating favourable conditions for a recovery in the global economy from next year. The reopening of major economies, such as the US, the EU as a whole and Japan, would increase demand for Vietnam’s export products. Furthermore, the resumption of international commercial flights would support the recovery of the tourism industry in 2021F, one of two main drivers for the rebound of Vietnam’s services sector, along with the recovery of domestic demand. Moreover, we expect the government to maintain loose monetary and fiscal policies for the whole of 2021 to support economic growth amid low inflationary pressures. We also expect a large increase in total social investment capital in 2021F as the government continues to accelerate the disbursements of public investment. The investment capital of the non-state sector as well as the FDI sector could also recover strongly thanks to a more favourable business environment after the pandemic. As a result, we forecast Vietnam’s GDP expanding by 7.1% yoy in 2021F, of which the agriculture, forestry and fishery sector will grow by 3.1% yoy, the industry and construction sector will expand by 8.9%, while the services sector will grow by 7.1% yoy.

Figure 25: Annual GDP growth in 2012-21F period



SOURCES: VNDIRECT RESEARCH

Figure 26: Our annual GDP growth forecast by sector for 2021F



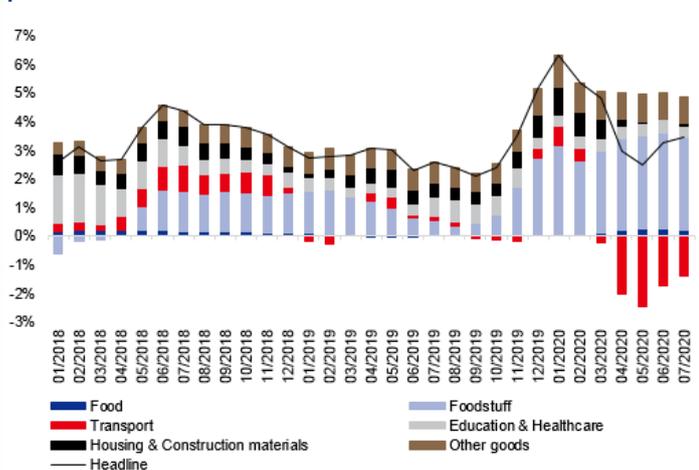
SOURCES: VNDIRECT RESEARCH

Inflation could be manageable towards year-end ➤

Vietnam's headline inflation stood at 3.4% yoy in Jul (vs. 3.2% yoy in Jun). Headline CPI edged up 0.4% mom in Jul, mostly driven by higher transportation prices (+3.9% mom), and accommodation and construction materials (+0.5% mom). The average headline CPI in 7M20 rose 4.1% yoy, slightly above the government's target of keeping the FY20F inflation under 4.0% yoy. We expect that inflationary pressure would ease from the beginning of 4Q20F as the gap between live pork prices in 4Q20F and 4Q19 would be narrowed from the differences in the previous quarters. To be specific, we forecast 4Q20F average live pork price at VND82,000/kg, or 11.6% higher than the price in 4Q19, while we estimate 9M20F average live pork price to climb to VND84,000, double the figure in 9M19. Therefore, the food and foodstuff CPI Index is estimated to be much lower than the Jul level of 11.9% yoy (noting that pork accounts for 11.6% of the monthly food and foodstuff CPI calculation basket and 4.2% in the monthly headline CPI calculation basket). We keep unchanged our forecast for the 2020F average headline CPI to increase 3.2% yoy, based on the following key assumptions: 1) we expect Brent crude oil price at around US\$43-45/barrel in 2H20F, and 2) the government is not expected to raise electricity prices in 2H20F.

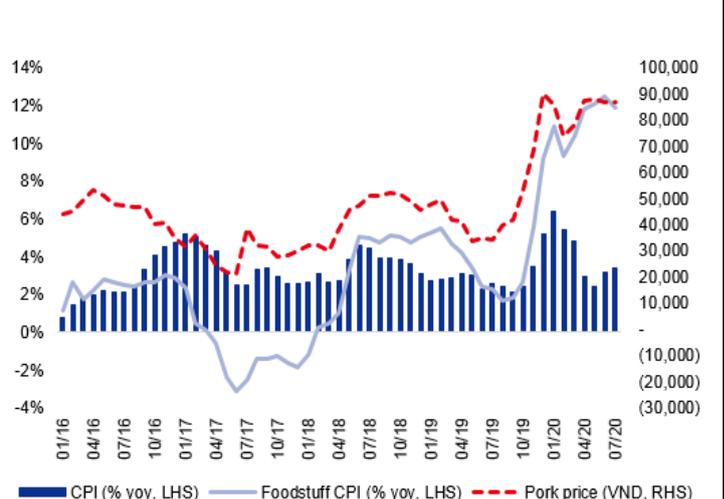
We expect inflationary pressure to remain low in 2021F as live pork prices could further decline after the domestic pig herd size recovers to pre-ASF levels. We forecast 2021F average headline CPI increasing 2.9% yoy, based on the following key assumptions: 1) we forecast 2021F average live pork price to decline 14.0% yoy to VND72,000/kg, 2) we expect 2021F average Brent crude oil to stay at US\$50/barrel (+14.2% yoy), and 3) we expect retail electricity price to increase 5-8% in the first half of 2021F.

Figure 27: Headline CPI ticked up yoy in Jul on higher crude oil price



SOURCES: VNDIRECT RESEARCH, GSO

Figure 28: Pork prices to lift foodstuff inflation further



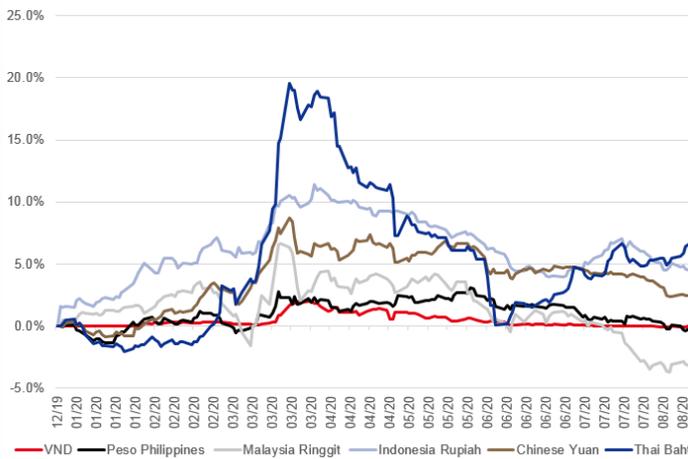
SOURCES: VNDIRECT RESEARCH, AGROMONITOR

Exchange rate could be stable in 2H20F ➤

We see minimal risk from external pressures, given more synchronised global easing of financial conditions. We expect Vietnam's current account surplus to remain in place in 2020F at 2.6% of GDP. According to the State Bank of Vietnam (SBV), the country's foreign reserves rose to US\$84bn in late-Mar 2020 from around US\$81bn at end-FY19. Expanding forex reserves should be supportive of the Vietnamese dong. Therefore, we expect the dong to move within a relatively narrow range of VND23,200-23,500/US\$ in 2H20F.

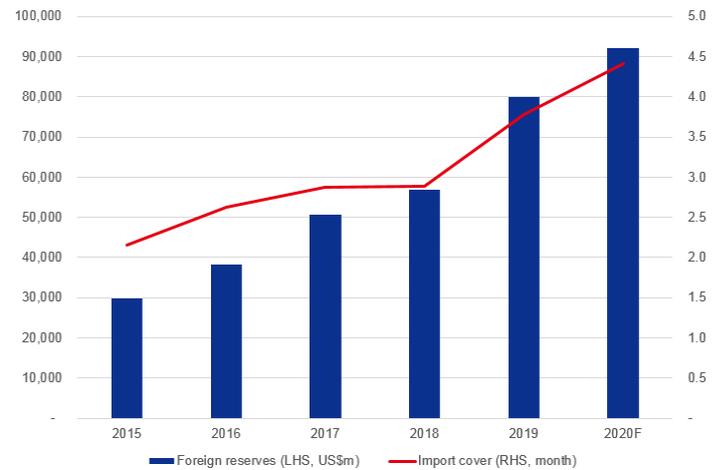
We expect the US dollar to remain weak in 2021F as the Federal Reserve could maintain a loose monetary policy to support growth. Therefore, we see minimal risk for the VND/US\$ exchange rate in 2021F and expect the dong to depreciate by only 0.5-1.5% vs. the greenback next year.

Figure 29: Vietnam's currency is more stable than most of its regional peers



SOURCES: VNDIRECT RESEARCH, BLOOMBERG

Figure 30: Vietnam's forex reserves and import cover (2015-2020F)



SOURCES: VNDIRECT RESEARCH, SBV, VIETNAM CUSTOMS

Interest rates could fall further towards year-end ➤

We expect the SBV to further loosen monetary policy to support economic growth and reduce its key policy rate by 0.25-0.5% pts in 2H20F. We also expect both deposit and lending rates offered by commercial banks to decline by 0.25-0.5% pts in 2H20F, of which short-term deposit rates could see a greater decline compared to long-term rates.

We expect credit demand to remain low in 2H20F as many companies delay their business expansion plans due to the pandemic. We forecast credit to increase 8.0-9.0% yoy in FY20F, while M2 would expand a faster clip at 9.0-10.0% yoy.

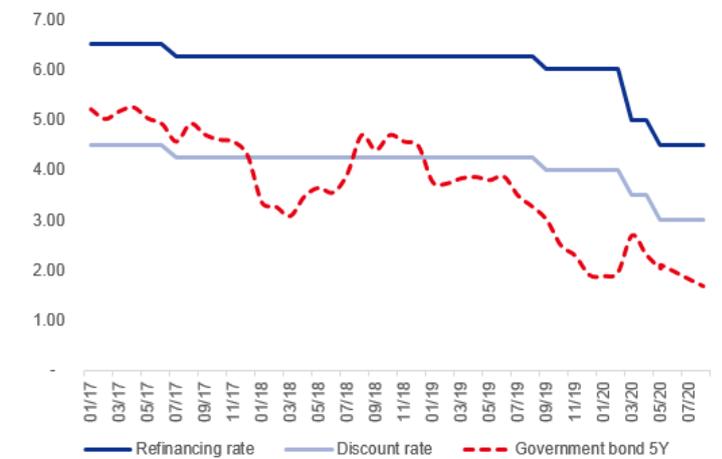
Given the benign inflationary pressure, we expect the SBV to maintain its accommodative monetary policy into 2021F. Although we do not expect the central bank to cut its key policy rate further beyond end-2020F, we also think it would not lift them either next year in a bid to continue supporting the economy by maintaining a loose monetary policy. Nevertheless, we expect the SBV to channel its money market activities via the open market, such as buying foreign exchange, raising credit growth ceilings or extending the deadline for applications of higher financial safety standards at commercial banks.

Figure 31: Overnight rate hits all-time low in late-Jun 2020



SOURCES: VNDIRECT RESEARCH, BLOOMBERG, SBV

Figure 32: Key policy rates (%)



SOURCES: VNDIRECT RESEARCH, SBV

DISCLAIMER

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to VNDIRECT Securities Corporation, and is distributed by CGS-CIMB, pursuant to an arrangement between VNDIRECT Securities Corporation and CGS-CIMB. VNDIRECT Securities Corporation is not an affiliate of CGS-CIMB.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CGS-CIMB.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report.

VNDIRECT Securities Corporation may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. Neither VNDIRECT Securities Corporation nor CGS-CIMB is under any obligation to update this report in the event of a material change to the information contained in this report. Neither VNDIRECT Securities Corporation nor CGS-CIMB has any and will accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, VNDIRECT Securities Corporation, CGS-CIMB and their respective affiliates and related persons including China Galaxy International Financial Holdings Limited ("CGIFHL") and CIMB Group Sdn. Bhd. ("CIMBG") and their respective related corporations (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, VNDIRECT Securities Corporation and CGS-CIMB disclaim all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CGS-CIMB or VNDIRECT Securities Corporation, or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) to any person to buy or sell any investments.

CGS-CIMB and/or VNDIRECT Securities Corporation and/or their respective affiliates and related corporations (including CGIFHL, CIMBG and their respective related corporations), their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CGS-CIMB and/or VNDIRECT Securities Corporation, and/or their respective affiliates and their respective related corporations (including CGIFHL, CIMBG and their respective related corporations) do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CGS-CIMB and/or VNDIRECT Securities Corporation and/or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CGS-CIMB and/or VNDIRECT Securities Corporation may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. The analyst(s) who prepared this research report is prohibited from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term "VNDIRECT Securities Corporation" shall, unless the context otherwise requires, mean VNDIRECT Securities Corporation and its affiliates, subsidiaries and related companies. The term "CGS-CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case except as otherwise stated herein, CGS-CIMB Securities International Pte. Ltd. and its affiliates, subsidiaries and related corporations.

CGS-CIMB

Country	CGS-CIMB Entity	Regulated by
Hong Kong	CGS-CIMB Securities (Hong Kong) Limited	Securities and Futures Commission Hong Kong
India	CGS-CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CGS-CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CGS-CIMB Securities Sdn. Bhd. (formerly known as Jupiter Securities Sdn. Bhd.)	Securities Commission Malaysia
Singapore	CGS-CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CGS-CIMB Securities (Hong Kong) Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CGS-CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of July 31, 2020 VNDIRECT Securities Corporation has a proprietary position in the securities (which may include but not be limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

(ii) As of August 21, 2020, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not be limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

This report does not purport to contain all the information that a prospective investor may require. CGS-CIMB, VNDIRECT Securities Corporation and their respective affiliates (including CGIFHL, CIMBG and their related corporations) do not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. None of CGS-CIMB and VNDIRECT Securities Corporation and their respective affiliates and related persons (including CGIFHL, CIMBG and their related corporations) shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CGS-CIMB's and its affiliates' (including CGIFHL's, CIMBG's and their respective related corporations') clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Restrictions on Distributions

Australia: Despite anything in this report to the contrary, this research is issued by VNDIRECT Securities Corporation and provided in Australia by CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited do not hold, and are not required to hold an Australian financial services license. CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

Canada: This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at <https://researchcentral.cibcwm.com>.

China: For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Germany: This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

Hong Kong: This report is issued and distributed in Hong Kong by CGS-CIMB Securities (Hong Kong) Limited (“CHK”) which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities) and Type 4 (advising on securities) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CGS-CIMB Securities (Hong Kong) Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

CHK does not make a market on other securities mentioned in the report.

India:

This report is issued by VNDIRECT Securities Corporation and distributed in India by CGS-CIMB Securities (India) Private Limited (“CGS-CIMB India”). CGS-CIMB India is a subsidiary of CGS-CIMB Securities International Pte. Ltd. which in turn is a 50:50 joint venture company of CGIFHL and CIMBG. The details of the members of the group of companies of CGS-CIMB can be found at www.cgs-cimb.com, CGIFHL at www.chinastock.com.hk/en/ACG/ContactUs/index.aspx and CIMBG at www.cimb.com/en/who-we-are.html. CGS-CIMB India is registered with the National Stock Exchange of India Limited and BSE Limited as a trading and clearing member (Merchant Banking Number: INM000012037) under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992. In accordance with the provisions of Regulation 4(g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CGS-CIMB India is not required to seek registration with the Securities and Exchange Board of India (“SEBI”) as an Investment Adviser. CGS-CIMB India is registered with SEBI (SEBI Registration Number: INZ000209135) as a Research Analyst (INH000000669) pursuant to the SEBI (Research Analysts) Regulations, 2014 (“Regulations”).

This report does not take into account the particular investment objectives, financial situations, or needs of the recipients. It is not intended for and does not deal with prohibitions on investment due to law/jurisdiction issues etc. which may exist for certain persons/entities. Recipients should rely on their own investigations and take their own professional advice before investment.

The report is not a “prospectus” as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CGS-CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CGS-CIMB India or its affiliates.

CGS-CIMB India does not have actual / beneficial ownership of 1% or more securities of the subject company in this research report, at the end of the month immediately preceding the date of publication of this research report. However, since affiliates of CGS-CIMB India are engaged in the financial services business, they might have in their normal course of business financial interests or actual / beneficial ownership of one per cent or more in various companies including the subject company in this research report.

CGS-CIMB India or its associates, may: (a) from time to time, have long or short position in, and buy or sell the securities of the subject company in this research report; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company in this research report or act as an advisor or lender/borrower to such company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

CGS-CIMB India, its associates and the analyst engaged in preparation of this research report have not received any compensation for investment banking, merchant banking or brokerage services from the subject company mentioned in the research report in the past 12 months.

CGS-CIMB India, its associates and the analyst engaged in preparation of this research report have not managed or co-managed public offering of securities for the subject company mentioned in the research report in the past 12 months. The analyst from CGS-CIMB India engaged in preparation of this research report or his/her relative (a) do not have any financial interests in the subject company mentioned in this research report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the research report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the research report.

Indonesia: This report is issued by VNDIRECT Securities Corporation and distributed by PT CGS-CIMB Sekuritas Indonesia (“CGS-CIMB Indonesia”). The views and opinions in this research report are not our own but of VNDIRECT Securities Corporation as of the date hereof and are subject to change. CGS-CIMB Indonesia has no obligation to update the opinion or the information in this research report. This report is for private circulation only to clients of CGS-CIMB Indonesia. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

Ireland: CGS-CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CGS-CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

Malaysia: This report is issued by VNDIRECT Securities Corporation and distributed in Malaysia by CGS-CIMB Securities Sdn. Bhd. (formerly known as Jupiter Securities Sdn. Bhd.) (“CGS-CIMB Malaysia”) solely for the benefit of and for the exclusive use of our clients. Recipients of this report are to contact CGS-CIMB Malaysia, at 29th Floor Menara CIMB No. 1 Jalan Stesen Sentral 2, Kuala Lumpur Sentral 50470 Kuala Lumpur, Malaysia, in respect of any matters arising from or in connection with this report. CGS-CIMB Malaysia has no obligation to update, revise or reaffirm the opinion or the information in this research report after the date of this report.

New Zealand: In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

Singapore: This report is issued by VNDIRECT Securities Corporation and distributed by CGS-CIMB Research Pte Ltd (“CGS-CIMBR”). CGS-CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 (“FAA”) for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly, CGS-CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CGS-CIMB Research Pte Ltd, 50 Raffles Place, #16-02 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CGS-CIMBR has no obligation to update the opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CGS-CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CGS-CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CGS-CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following:

- (a) Section 25 of the FAA (obligation to disclose product information);
- (b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;
- (c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];
- (d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];
- (e) Section 36 (obligation on disclosure of interest in securities), and
- (f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CGS-CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CGS-CIMBR for any loss or damage arising from the recipient’s reliance on any recommendation made by CGS-CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CGS-CIMBR for any loss or damage arising from the recipient’s reliance on any recommendation made by CGS-CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CGS-CIMBR, its affiliates and related corporations, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CGS-CIMBR, its affiliates and its related corporations do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of August 21, 2020,, CGS-CIMBR does not have a proprietary position in the recommended securities in this report.

CGS-CIMBR does not make a market on other securities mentioned in the report.

South Korea: This report is issued by VNDIRECT Securities Corporation and distributed in South Korea by CGS-CIMB Securities (Hong Kong) Limited, Korea Branch (“CGS-CIMB Korea”) which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea (“FSCMA”).

Spain: This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CGS-CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Switzerland: This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers’ Association (Directives on the Independence of Financial Research).

Thailand: This report is issued by VNDIRECT Securities Corporation and distributed by CGS-CIMB Securities (Thailand) Co. Ltd. (“CGS-CIMB Thailand”) based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CGS-CIMB Thailand has no obligation to update the opinion or the information in this research report.

CGS-CIMB Thailand may act or acts as Market Maker, and issuer and offerer of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ADVANC, AEONTS, AMATA, AOT, AWC, BANPU, BBL, BCH, BCP, BCPG, BDMS, BEC, BEM, BGC, BGRIM, BH, BJC, BPP, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, DELTA, DTAC, EA, EGCO, EPG, ERW, ESSO, GFPT, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMT, KBANK, KCE, KKP, KTB, KTC, LH, MAJOR, MBK, MEGA, MINT, MTC, ORI, OSP, PLANB, PRM, PSH, PSL, PTG, PTT, PTTEP, PTTGC, QH, RATCH, RS, SAWAD, SCB, SCC, SGP, SPALI, SPRC, STA, STEC, STPI, SUPER, TASCOS, TCAP, THAI, THANI, THG, TISCO, TKN, TMB, TOA, TOP, TPIPP, TQM, TRUE, TTW, TU, VGI, WHA, BEAUTY, JMART, LPN, SISB, WORK.

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association (“IOD”) regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom and European Economic Area (EEA): In the United Kingdom and European Economic Area, this material is also being distributed by CGS-CIMB Securities (UK) Limited (“CGS-CIMB UK”). CGS-CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. The material distributed by CGS-CIMB UK has been prepared in accordance with CGS-CIMB’s policies for managing conflicts of interest arising as a result of publication and distribution of this material. This material is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CGS-CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), (c) fall within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, material (all such persons together being referred to as “relevant persons”). This material is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

This material is categorised as non-independent for the purposes of CGS-CIMB UK and therefore does not provide an impartial or objective assessment of the subject matter and does not constitute independent research. Consequently, this material has not been prepared in accordance with legal requirements designed to promote the independence of research and will not be subject to any prohibition on dealing ahead of the dissemination of research. Therefore, this material is considered a marketing communication.

United States: This research report is issued by VNDIRECT Securities Corporation and distributed in the United States of America by CGS-CIMB Securities (USA) Inc, a U.S. registered broker-dealer and an affiliate of CGS-CIMB Securities Sdn. Bhd. (formerly known as Jupiter Securities Sdn. Bhd.), CGS-CIMB Research Pte Ltd, PT CGS-CIMB Sekuritas Indonesia, CGS-CIMB Securities (Thailand) Co. Ltd, CGS-CIMB Securities (Hong Kong) Limited and CGS-CIMB Securities (India) Private Limited and is distributed solely to persons who qualify as “U.S. Institutional Investors” as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CGS-CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CGS-CIMB Securities (USA) Inc.

CGS-CIMB Securities (USA) Inc. does not make a market on other securities mentioned in the report.

CGS-CIMB Securities (USA) Inc. has not managed or co-managed a public offering of any of the securities mentioned in the past 12 months.

CGS-CIMB Securities (USA) Inc. has not received compensation for investment banking services from any of the company mentioned in the past 12 months.

CGS-CIMB Securities (USA) Inc. neither expects to receive nor intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

United States Third-Party Disclaimer: If this report is distributed in the United States of America by Raymond James & Associates, Inc (“RJA”), this report is third-party research prepared for and distributed in the United States of America by RJA pursuant to an arrangement between RJA and CGS-CIMB Securities International Pte. Ltd. (“CGS-CIMB”). CGS-CIMB is not an affiliate of RJA. This report is distributed solely to persons who qualify as “U.S. Institutional Investors” or as “Major U.S. Institutional Investors” as defined in Rule 15a-6 under the Securities and Exchange Act of 1934, as amended. This communication is only for U.S. Institutional Investors or Major U.S. Institutional Investor whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major U.S. Institutional Investor must not rely on this communication. The delivery of this report to any person in the U.S. is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. If you are receiving this report in the U.S from RJA, a FINRA/SIPC member, it takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CGS-CIMB Securities (USA) Inc. or RJA. <https://raymondjames.com/InternationalEquityDisclosures>

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2020		
800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand: the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

Hien Tran Khanh – Deputy Head of Research

Email: hien.trankhanh@vndirect.com.vn

Hinh DINH – Senior Analyst

Email: hinh.dinh@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi | Tel: +84 2439724568

Email: research@vndirect.com.vn | Website: <https://vndirect.com.vn>