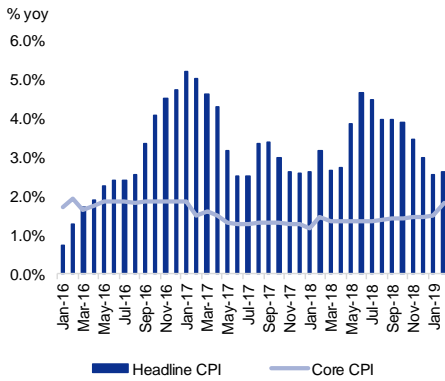


Vietnam

# Economics Update

## Inflation to tick-up but stay manageable

### Headline CPI vs. Core CPI

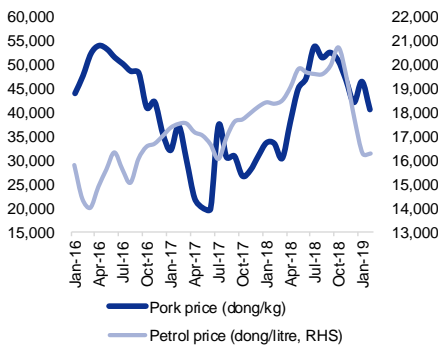


- Decreasing pork prices could temper the pace of food price inflation.
- The hike in electricity prices by 8.3% in Mar 2019 could add 0.3% to headline inflation, according to our estimates.
- CPI should stay manageable as the government administered price hikes are offset by anticipated food inflation price moderation.

### Sequential tick-up in inflation due to acceleration in food inflation

In Feb 2019, both yoy headline and core inflation remained unchanged compared to Jan at 2.6% yoy and 1.8% yoy, respectively. On a mom basis, the headline CPI increased 0.8% in Feb (vs. 0.1% mom in Jan) due to higher food inflation. Food inflation rose 1.7% mom due to the Tet holiday effect, reaching a record-high of 5.5% yoy, not seen since Jun 2012.

### Petrol price and pork price



### First petrol price hike this year

During the first two months of 2019, domestic petrol prices were kept unchanged despite the sharp recovery in oil prices. However, on 2 Mar, the government raised domestic petrol prices by 5.3-5.8%, owing to a decline in the petrol price stabilisation fund balance. According to Petrolimex, its stabilisation fund balance dropped by 37.3% (~VND720bn) during the first two months of 2019. We estimate that a 5.0% rise in domestic petrol prices could add around 0.2-0.3% to the yoy inflation rate in Mar 2019.

### Decreasing pork prices could offset the impact of higher fuel prices

Vietnamese pork prices have been hammered due to the recent outbreaks of African swine fever (ASF) in Vietnam. In Feb, the price of pork dropped sharply (-12.6% mom) in the North where ASF has spread to seven provinces. Pork makes up almost 7.0% of the CPI basket. As a result, we think a sharp drop in pork prices could mitigate inflation pressures arising from increasing fuel prices.

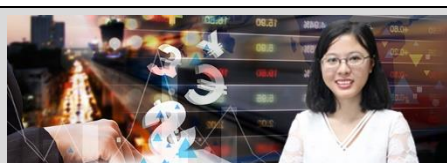
### Electricity price hike expected

The Ministry of Industry and Trade plans to raise retail electricity prices by 8.3% this month to VND1,864/kWh from VND1,721/kWh. As electricity makes up 3.0% of the CPI basket, we estimate that the electricity price adjustment could add 0.3% to headline inflation. This hike is in line with our expectations. We therefore maintain our average inflation forecast for 2019F at 3.9% as we think the recent acceleration in food inflation is transitory. We expect the State Bank of Vietnam to leave the policy rate unchanged throughout the year.

### External risks to ease, inflation risk is still under control

On the FX front, the dong remained relatively stable during the first two months despite a 0.5% depreciation in the central exchange rate. This came on the heels of enormous inflows of capital into Vietnam, the yuan rally thanks to a potential US-China trade deal and the recent announcement of a 3.0% pt cut in the VAT rate to boost economic growth. With the coming adjustment of fuel and electricity prices, there could be a build-up in inflationary pressures. However, we do not yet see cause for alarm as inflation remains under control.

### Economist(s)



### My TRAN Ha

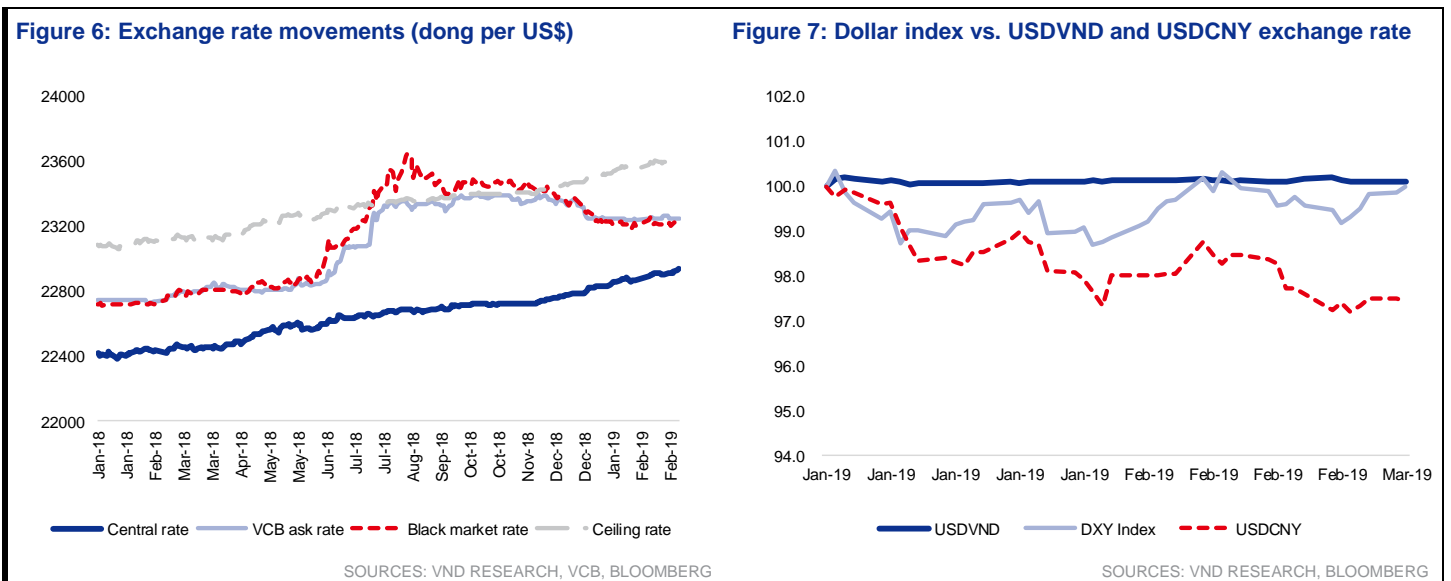
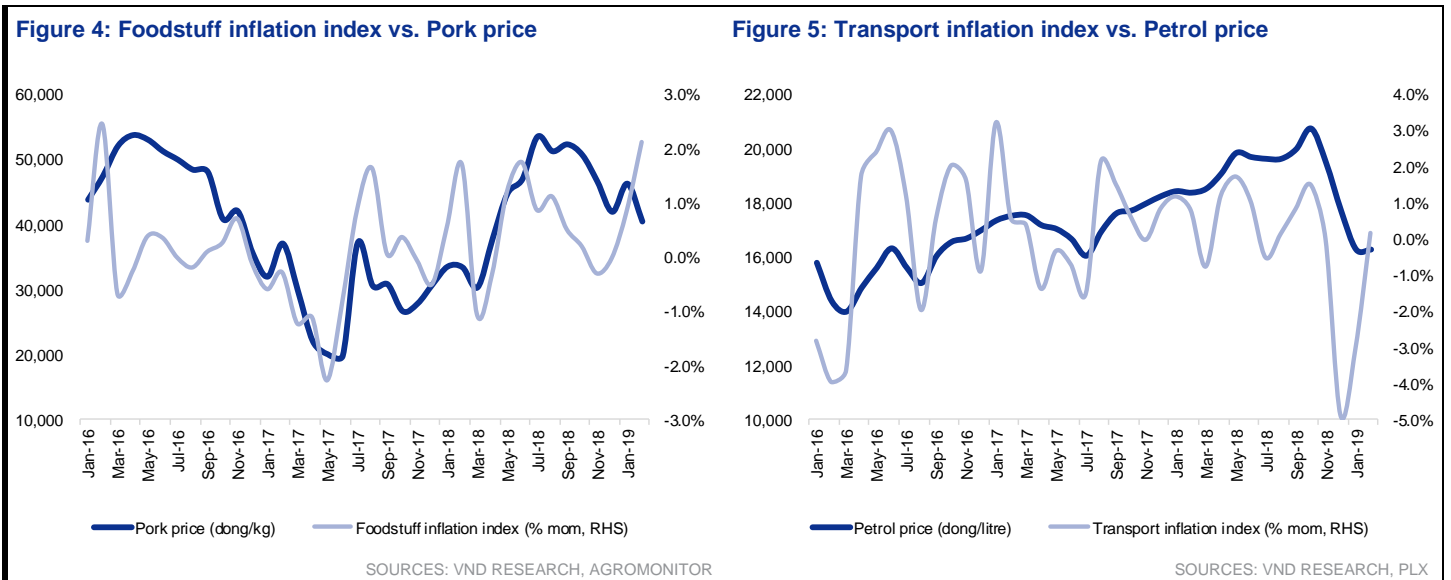
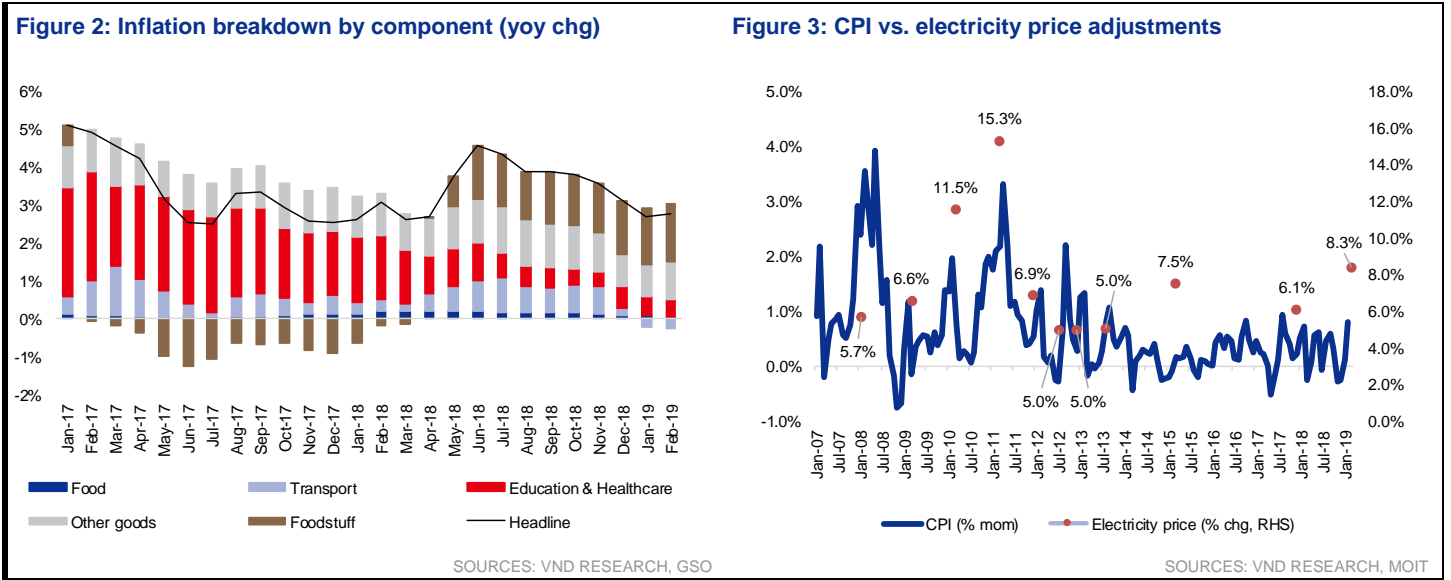
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Figure 1: Inflation by major components

	Dec-18	Jan-19	Feb-19	2M19	Dec-18	Jan-19	Feb-19
	%yoy				%mom		
Headline inflation	3.0	2.6	2.6	2.6	-0.3	0.1	0.8
Core	1.7	1.8	1.8	1.8	0.1	0.3	0.5
Food	5.1	5.3	5.5	5.4	0.1	0.7	1.7
Housing & construction materials	1.1	0.9	1.7	1.3	-0.9	0.4	0.7
Healthcare	3.7	1.8	1.8	1.8	5.8	0.0	0.0
Transport	0.2	-4.0	-4.5	-4.3	-4.9	-3.0	0.2
Education	6.5	6.7	6.1	6.4	0.0	0.2	-0.5

SOURCES: VND RESEARCH, GSO



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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.

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

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## 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.