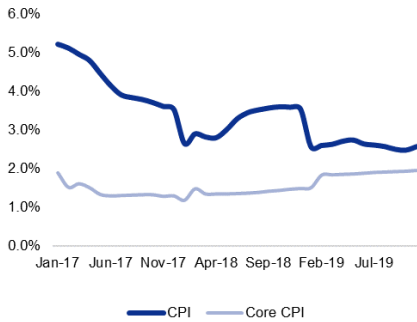


Vietnam

Economics Update

Nov 2019 CPI

Headline CPI and core CPI (% yoy)

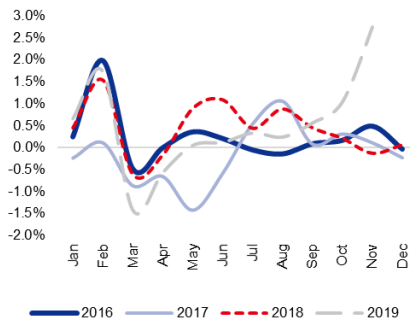


- Headline inflation jumped to +3.52% yoy in Nov (vs. +2.24% yoy in Oct).
- Pork price hike lifted food inflation to a record high in Nov.
- Price pressures remain muted on average, at 2.57% yoy in 9M19 vs. 3.59% in the same period last year.
- Including the impact of higher pork prices, we estimate headline inflation to tick up 3.2% in 2020F, which seems still controllable.

Sharp acceleration in Nov headline inflation

Vietnam's headline inflation accelerated to a 13-month high of 3.52% yoy in Nov (vs. +2.24% yoy in Oct). The steep rise in consumer price index (CPI) was driven by further acceleration in pork prices after the supply cut caused by the African swine fever crisis. Excluding volatile items (food, energy, healthcare and education services), core inflation came in at 2.18% yoy in Nov (vs. 1.99% yoy in Oct).

Food inflation (% yoy)



Higher food cost due to soaring pork prices

On a month-on-month basis, Vietnam's food price index saw a significant increase in Nov (+2.74% mom vs. +1.04% mom in Oct) on the back of higher pork prices (+17.1% mom in the North and +24.8% mom in the South, according to Agromonitor). Because of the culling to control African swine fever outbreak, Vietnam's total swine herd was cut by about 20% while many producers are reluctant to replenish due to ongoing disease risk. The pork prices should continue to increase in Dec due to stronger consumption during the holiday season.

Price pressures remain muted on average

The average CPI in eleven months increased by 2.57%, the lowest in the past three years due to a deceleration in administered price inflation (healthcare and education) and transportation price inflation. In 11M19, healthcare price inflation and education price inflation were up by 3.91% yoy and 5.78% yoy, respectively (vs. 11.49% yoy and 6.29% yoy in the same period last year). Meanwhile, transportation price index was down by 1.45% yoy vs. an increase of 6.96% yoy in the same period last year due to relatively stable petrol prices.

Food to lift inflation outlook in 2020F

We expect Vietnam's pork price to stay high in 2020F as the country's pork production is estimated to decline by 6.0% yoy, according to the United States Department of Agriculture (USDA). Taking into account 1) higher pork prices, 2) increases in the prices of healthcare and education services, and 3) potential hike in electricity tariffs, we project headline inflation to increase to 3.2% in 2020F (+2.7% yoy in 2019F). Despite the higher inflation outlook, headline inflation is still lower than the government's target of 4.0%, which implies room for further monetary policy easing. Therefore, we expect a 25bp reduction in discount rate and refinancing rate to 3.75% and 5.75% in 2020F, respectively.

Economist(s)



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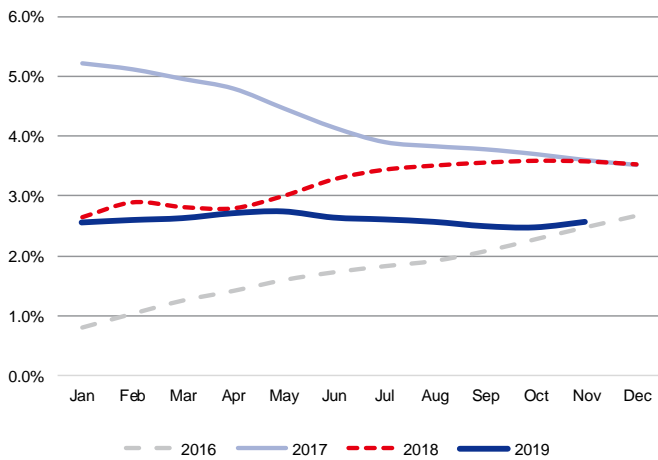
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Figure 1: Inflation by major components

	Sep-19	Oct-19	Nov-19	11M19	Sep-19	Oct-19	Nov-19
	%yoy				%mom		
Headline inflation	2.1	2.4	3.5	2.6	0.3	0.6	1.0
Core	2.0	2.0	2.2	1.9	0.2	0.2	0.3
Food	1.8	2.6	5.6	3.6	0.6	1.0	2.7
Housing & construction materials	2.7	2.9	3.7	2.9	0.1	0.5	0.1
Healthcare	8.8	8.9	8.9	3.9	0.0	0.0	0.0
Transport	-0.9	-1.4	-2.1	-1.5	-1.2	1.0	-0.7
Education	4.7	4.2	4.2	5.8	3.2	0.2	0.0

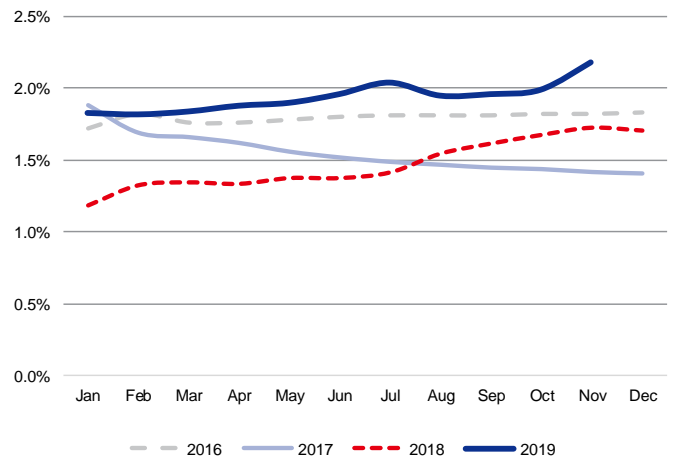
SOURCES: VNDIRECT RESEARCH, GSO

Figure 2: Average headline inflation rate (% yoy)



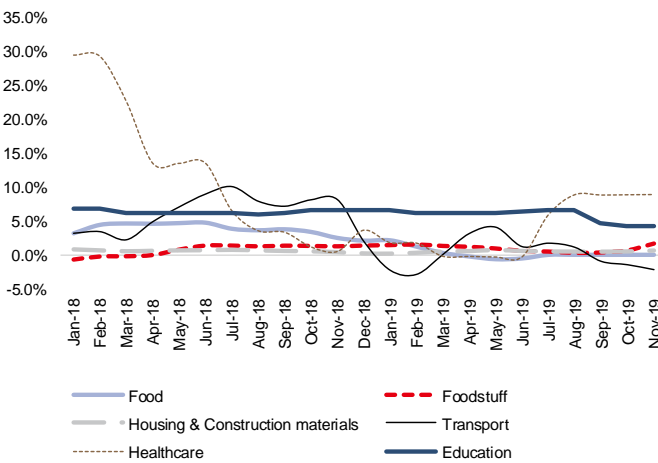
SOURCES: VNDIRECT RESEARCH, GSO

Figure 3: Average core inflation rate (% yoy)



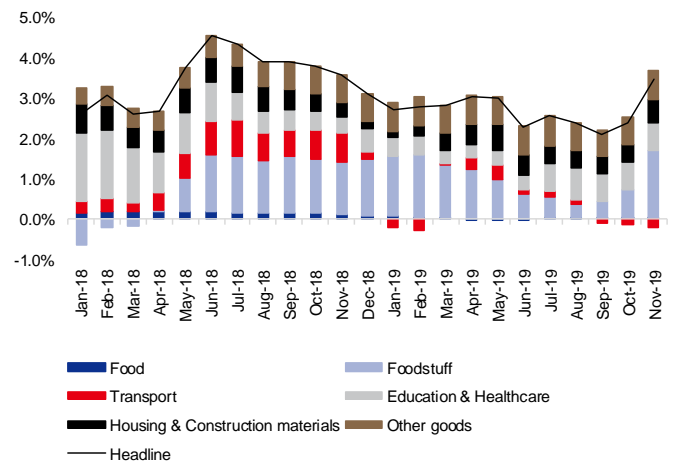
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Figure 4: Inflation rate of key items in CPI basket (yoy chg)



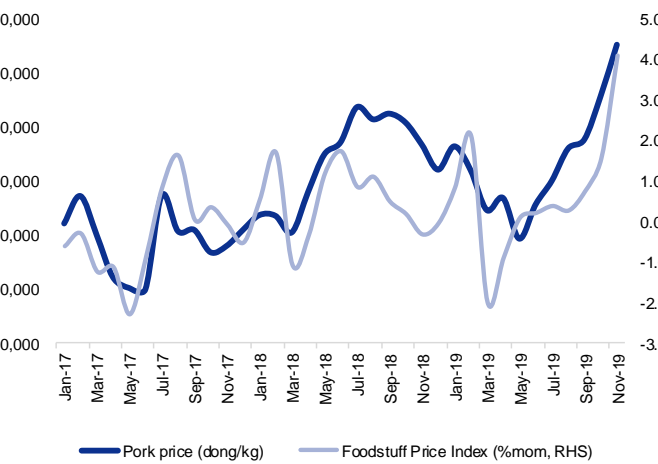
SOURCES: VNDIRECT RESEARCH, GSO

Figure 5: Inflation breakdown by component (yoy chg)



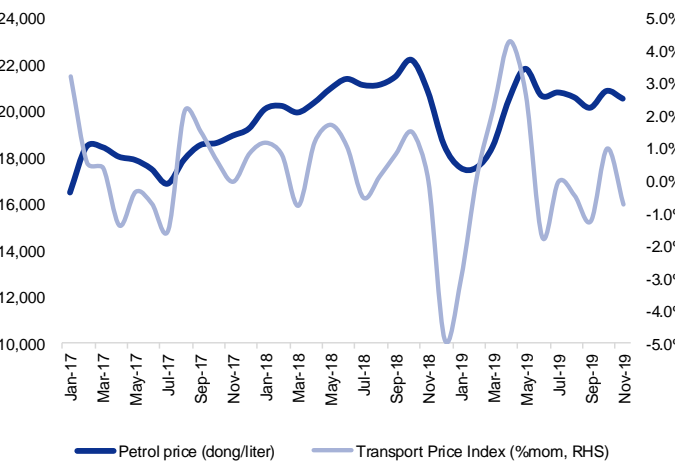
SOURCES: VNDIRECT RESEARCH, GSO

Figure 6: Foodstuff Price Index vs. Pork Price



SOURCE: VNDIRECT RESEARCH, GSO, AGROMONITOR

Figure 7: Transport price index vs. Petrol price



SOURCES: VNDIRECT RESEARCH, GSO, PETROLIMEX

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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	

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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2019		
777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **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, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **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, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, 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** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

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.

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