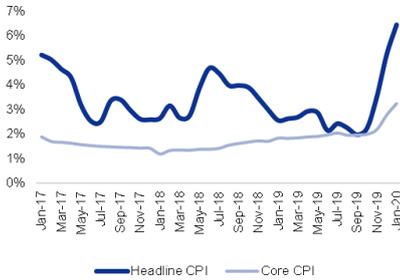


Vietnam

Economics Update

Jan 2020 CPI

Headline CPI and core CPI (% yoy)



- Vietnam's headline inflation jumped to 6.43% yoy in Jan 2020.
- Food inflation pressure is still high but likely to decline in 2Q20F, in our view.
- We think oil prices will continue to drop due to demand fears related to the current novel coronavirus epidemic.
- We maintain our forecast of 3.2% average inflation in 2020F given the expected decline in food and transport prices.

Inflation climbed to 7-year peak amid the Tet holiday

Vietnam reported yoy inflation of 6.43% for Jan, up from 5.23% yoy in Dec. Headline inflation was driven by the increase in food and transport prices, attributable to the rising demand for eating out, shopping and travelling among Vietnamese people during the Tet holiday. Core inflation, which excludes administered prices and volatile food and transport prices was at 0.76% mom and 3.25% yoy (vs. 0.68% mom and 2.78% yoy in Dec 2019).

Surging food prices continued to put pressure on inflation

Food inflation rose from 9.17% yoy in Dec 2019 to 10.93% yoy in Jan 2020, despite a slower rise on a month-on-month basis (+2.29% in Jan vs. +3.42% in Dec) due to the impact from the African swine fever outbreak on pork prices. Transport costs also rose, from 3.51% yoy in Dec 2019 to 7.49% yoy in Jan 2020. That reflects higher crude oil prices feeding into retail gasoline prices, which increased 18.7% yoy on average in Jan.

Oil prices dropped due to coronavirus-driven demand fears

Currently, China is the world's largest crude oil importer and the second-largest oil consumer. We think the spread of a new strain of coronavirus (2019-nCoV) will likely keep a lid on oil prices in the upcoming months. As such, we expect the surge in transport inflation to quickly unwind, leading to a lower inflation in Feb 2020.

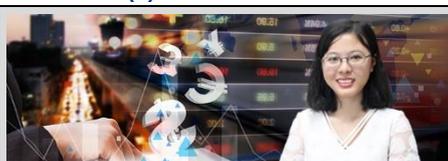
Pork prices reached all-time high but likely to decline

Pork prices skyrocketed in 4Q19 but started to drop in mid-Jan following government measures to stabilise the market. Accordingly, pork prices declined 6-10% in early-Feb vs. the record level of approximately VND90,000 per kg in mid-Jan. In addition, the African swine fever is expected to be less serious in the first half of this year, according to the Ministry of Agriculture and Rural Development. Therefore, food inflation could start to decline from 2Q20, in our view.

Vietnam's inflation remains under control

Given the recent decline in oil and pork prices, we expect inflation to decline in the coming months. For 2020F, we forecast inflation to average at 3.2% in the light of 1) expected declines in transport and food prices, and 2) *manageable* adjustments in administered prices. We think the coronavirus outbreak could create potential adverse economic impact on Vietnam. We expect the State Bank of Vietnam to keep the door open for a cautious monetary easing policy, alongside an expansionary fiscal policy, to mitigate the downside risks and alleviate the damage to the nation's economy.

Economist(s)



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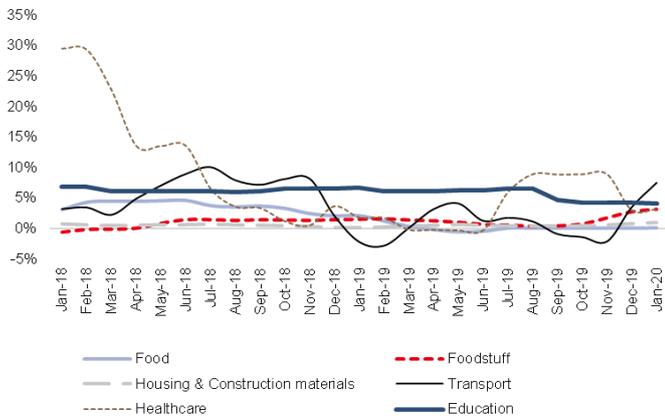
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Figure 1: Inflation by major components

	Nov-19	Dec-19	Jan-20	Nov-19	Dec-19	Jan-20
	%yoy			%mom		
Headline inflation	3.5	5.2	6.4	1.0	1.4	1.2
Core	2.2	1.9	3.5	0.3	0.7	0.8
Food	5.6	9.2	10.9	2.7	3.4	2.3
Housing & construction materials	3.7	5.1	6.3	0.1	0.4	1.5
Healthcare	8.9	3.0	3.1	0.0	0.0	0.2
Transport	-2.1	3.5	7.5	-0.7	0.6	0.7
Education	4.2	4.2	4.1	0.0	0.0	0.0

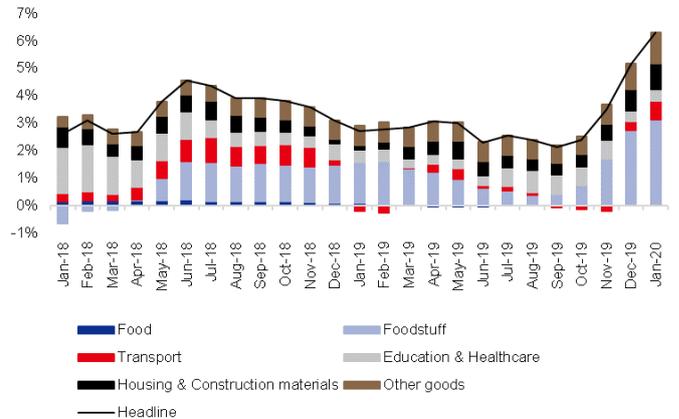
SOURCES: VNDIRECT RESEARCH, GSO

Figure 2: Inflation rate of key items in CPI basket (yoy chg)



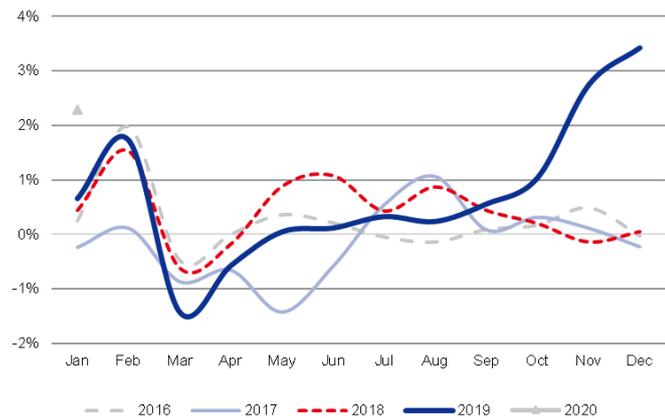
SOURCES: VNDIRECT RESEARCH, GSO

Figure 3: Inflation breakdown by component (yoy chg)



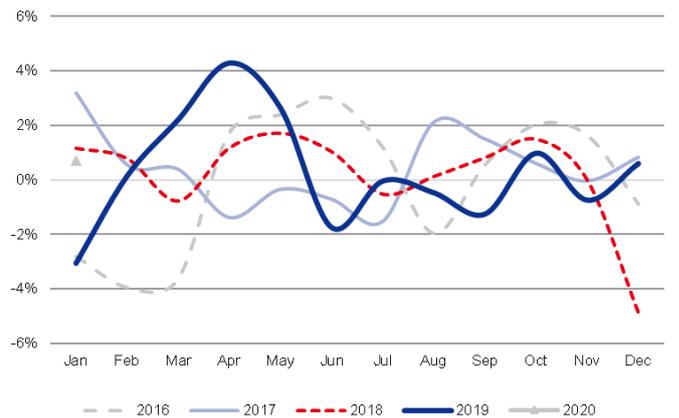
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Figure 4: Food inflation rate (% yoy)



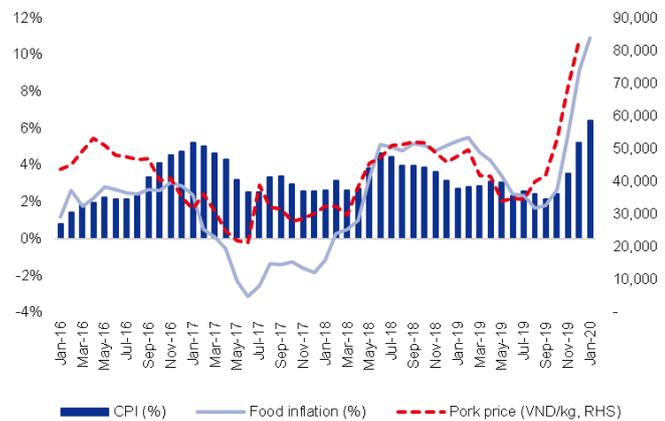
SOURCES: VNDIRECT RESEARCH, GSO

Figure 5: Transport inflation rate (% yoy)



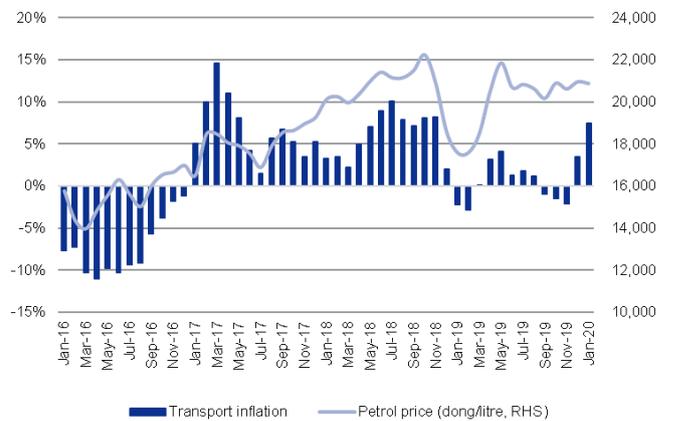
SOURCES: VNDIRECT RESEARCH, GSO

Figure 6: Food inflation vs. pork price



SOURCE: VNDIRECT RESEARCH, GSO, AGROMONITOR

Figure 7: Transport inflation vs. petrol price



SOURCES: VNDIRECT RESEARCH, GSO, PETROLIMEX

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SUPER, TASC0, TCAP, THAI, THANI, TISCO, TKN, TMB, TOA, TOP, TPIPP, TRUE, TTW, TU, TVO, WHA.

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 31 December 2019		
798 companies under coverage for quarter ended on 31 December 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.4%	0.0%
Hold	25.2%	0.0%
Reduce	13.4%	0.0%

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, **TIPIP** – 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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