

On the investment side, in total there was an increase to 11.2% YoY (at about \$80 bn, or 33.5% GDP), and once again the private sector led the charge on growth (+18.5% YoY), followed by the FDI sector (+9.6%) and then the public sector (+3.9%).

Relating to public investment, one of the wild cards for growth in 2018, most of the overhaul in regulation framework was cleared in late 2018 on high expectations of an overclocked boost in the public investment disbursement rate come 2019.

Looking at the data, it becomes evident that the improvement in manufacturing and the construction sector, along with tamer inflation (as CPI was lower in both Nov-Dec), resulted as key catalysts for this impressive growth.

In November, the National Assembly approved the plan for 2019 goals, with GDP growth at 6.6-6.8% YoY, CPI at about 4% on average, and budget deficit at 3.6% GDP.

As the USD might peak soon, we believe that forex fundamentals for Vietnam are still alive and well, with inflows from stable FDI disbursement, FII (on SOE divestment and IPOs, banking system recapitalization, and M&A in private sector), remittance, trade surplus, and other vectors that in aggregate helps to keep the balance of payment in surplus.

Disbursed FDI came to approximately \$2.6 bn in Dec 2018, leaping by +73% YoY and pushing the full year number to \$19.1 registered foreign investment being maintained (1.85x of annual disbursement), it could ensure further growth in terms of FDI implementation in 2019.

The government target will be at the higher end of the National Assembly plan, as it wants to push ahead growth and reform to mark the completion of the 5 year plan (2016-2020).

Regarding IPOs, the government ideally plans to equitize 127 SOEs during 2017-2020 (44 in 2018, 64 in 2019), but currently implementation of these equitizations is in actuality quite less than that (with only 24 by 2017 and 3 in 2018).

Beside decent export growth also seen in Machinery +28.2%; Camera +37.8%; Textile & garment +16.7% YoY, the key drivers for trade surplus come from (1) Strong net export of handphone (USD 33.21 bn in 2018 vs USD 28.84 bn in 2017), thanks to higher local content of mobile production: The number of factories in Vietnam listed in Apple supplier list increased from 16 in 2015 to 22 in 2018.

Please note SSI RESEARCH INSTITUTIONAL RESEARCH & INVESTMENT ADVISORY SSI.COM.VN Visit SSI Research on Bloomberg at SSIV<GO> Page 5 that in the breakdown, the public sector only includes 100% state owned enterprises, so there might be some other SOE investment counted in the private sector that comprises of part state-owned enterprises in the mix.

year in which GDP growth clocked in at a sizzling 7.08%, CPI at 3.5%, and credit growth was just 14%.

Vietnam GDP growth, CPI and CPI breakdown Source: GSO, SSI Research In fact, the level of growth is close to the recent peak last seen from 2005-2007.

Such top-tier growth in terms of global growth is more than enough to boost full year growth to 7.08% YoY, a pinnacle achievement and the highest since 2007.

For the full year, CPI increased by 3.54% YoY on average, lower than the government target of 4%.

It did show that monetary policy is more on the tightening side, which started from 2H 2018 after growth is in line with expectation and global volatility is rising.

By sector, growth drivers originated from manufacturing (+12.98%) and construction (+9.1%), and also from the agriculture sector having posted growth at a 6-year high.

This is mostly owed to the government that spent less than expected (development investment was at 65.1% of the full year plan).

On the fiscal side, a budget deficit was not in sight, but the full year balance might be reported as deficit, as normally carry-over to 2019 is allowed.