

press release

Standard Chartered: Vietnam moves onwards and upwards, 6.9% growth forecast this year

27 January 2016, Ho Chi Minh City, Vietnam – Standard Chartered Bank expects Vietnam’s GDP growth to accelerate to 6.9% in 2016, higher than its previous forecast of 6.6% driven by better construction activity and manufacturing strength amidst continued strength in FDI inflows.

This forecast, which will make Vietnam the second fastest-growing economy in Asia, second only to India, is highlighted in Standard Chartered’s Global Research Briefing held today in Ho Chi Minh City. The high level economic briefing attracts senior representatives from almost 300 Vietnamese and international businesses.

The annual event informs Standard Chartered’s recently published Global Research report titled “Retreat, Regroup, Rebound”. The report updates that Vietnam is moving onwards and upwards, and that global growth is likely to remain flat at 2.9% in 2016.

“But despite the slow pace of growth, we expect confidence and sentiment – the two main culprits of 2015’s retreat in emerging markets – to improve. China’s slowdown and Fed rate-hike expectations should become less of a concern as we move into 2016,” said Marios Maratheftis, Chief Economist, Standard Chartered Bank.

Standard Chartered’s economists are upbeat about the economic outlook for the country, with strong FDI expected to continue this year. The domestic economy was robust in 2015, recording faster-than-expected growth of 6.7%. This beat expectations of 6.6% and was the fastest pace of growth since GDP was rebased in 2013.

Nirukt Sapru, CEO of Standard Chartered Bank Vietnam, said: “We believe Vietnam is an attractive destination for investment, a view echoed by our clients, and expect strong FDI inflows in 2016 as well. We believe the country is one of the few prime investment opportunities in an otherwise lacklustre global economy. We believe that the State Bank of Vietnam’s recent decision to set a daily reference rate for the Vietnamese dong will allow it greater flexibility to respond to increasingly volatile market conditions.”

The report sees the decision as a new FX policy for the new year, explaining that a daily reference rate will allow the VND to become more responsive to market conditions and alleviate

pressure on the authorities to maintain the FX regime whenever the VND approaches its permitted trading band.

The study also points out that consumption is likely to remain the biggest growth driver in 2016, closely followed by investment. The Bank forecast that the contribution from investment to growth will be stronger than in 2015 as implemented FDI continues to increase this year. However, net exports are likely to remain flat in 2016.

Today's event is part of the 2016 Standard Chartered Global Research Briefing series, which is organised by the Bank in major ASEAN cities to provide in-depth insight and analysis on global, regional and local socio-economic trends that will have an impact on international business and trade in the year ahead.

Highlights of Vietnam 2016 outlook by Standard Chartered Global Research:

- o GDP to grow by 6.9%
- o Contribution from net exports to growth likely to remain low
- o Moderate trade surplus expected in H1, slipping into a mild deficit in H2
- o Inflation forecast low at 1.4% year-on-year
- o Neutral short-term FX weighting on VND

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Notes to Editors

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On August 1, 2009, we commenced operations in our locally incorporated entity – Standard Chartered Bank (Vietnam) Limited, an important milestone of Standard Chartered's development in Vietnam. The bank currently has more than 850 employees and three branches (two in Hanoi and one in HCMC). The Head Office is based in Hanoi.

We bring our international expertise and experience in Asia, Africa and the Middle East to Vietnam, building a broad business that helps to develop the Vietnamese financial service sector as well as helping clients to develop their businesses. Standard Chartered has acted as the sole Sovereign Credit Ratings Advisor to the Vietnamese Government since March 2012.

The Bank provides a full suite of banking products and services for corporates, financial institutions as well as small and medium enterprises and individuals. We also play an active role in building the communities through many programs that promote social and economic development focusing on health, youth and financial education.

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