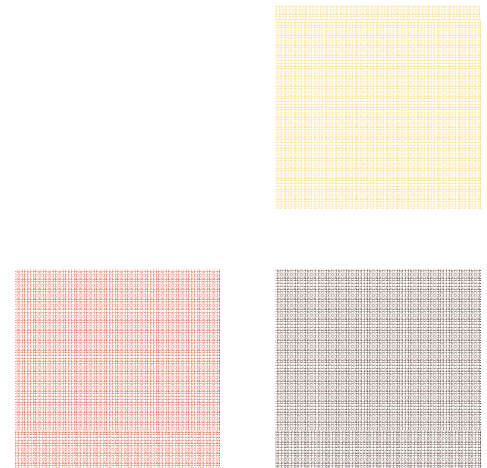


## Market and macro outlook March FY2009

**Fiachra Mac Cana**  
*Director of Research*



▶ Macro-economy

▶ Inflation, GDP, Trade and Balance of Payments

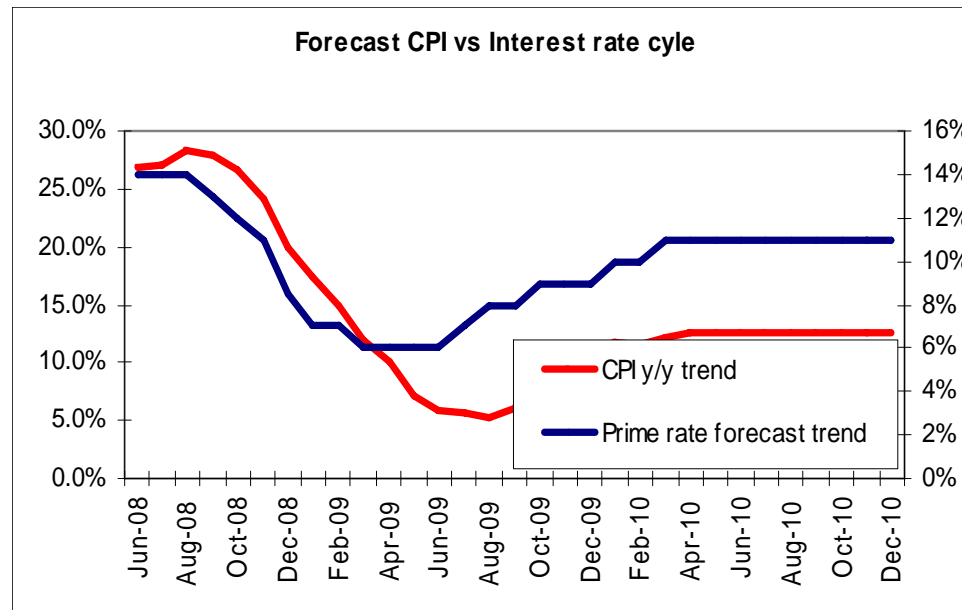
▶ Market Earnings and Valuations – market is fairly cheap but may get cheaper

▶ Market Timing – over to Chris

- ▶ Economy will stay weak this year. We expect 4.4% GDP growth
- ▶ Inflation will bottom out this summer
- ▶ Exports will fall 16% and imports 30%

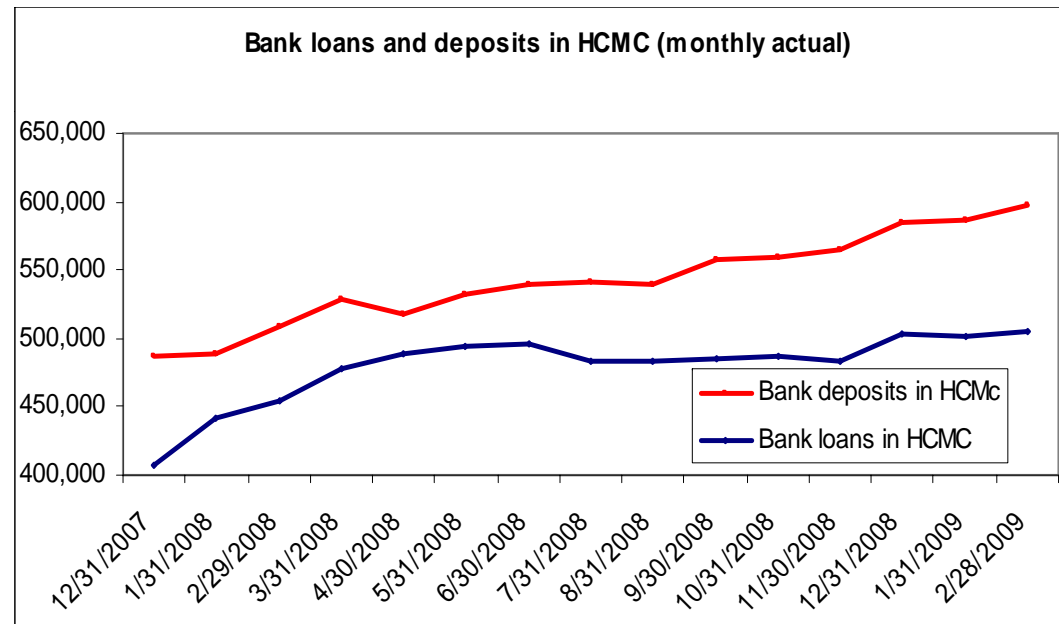
## Interest rates close to bottom already

➤ Inflation and interest rates will bottom out this summer



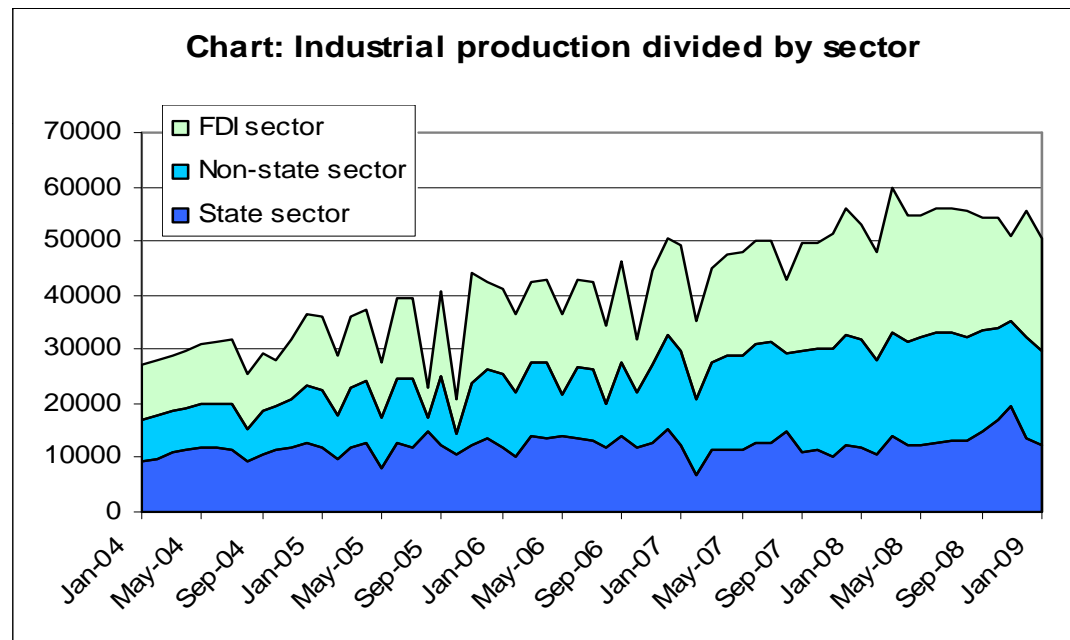
## Credit growth still slow

➤ Loans are rising very slowly



## IP may be even turn negative in Q1

➤ Industrial production is weak (+2.6% y/y)



## Our FY2009 GDP forecast is 4.4%

No	GDP Components	FY2008		FY2009 HSC forecast		FY2010 HSC forecast	
		Full year	y/y	Full year	y/y	Full year	y/y
	<b>Total GDP</b>	<b>490181</b>	<b>6.2%</b>	<b>511541.9</b>	<b>4.4%</b>	<b>542248.8</b>	<b>6.0%</b>
	Sector I	85564	3.8%	88044.292	2.9%	91255.5846	3.6%
1	Agriculture	70047	3.6%	71728.128	2.4%	74023.4281	3.2%
2	Forestry	2747	1.7%	2779.964	1.2%	2816.10353	1.3%
3	Fishery	12770	5.4%	13536.2	6.0%	14416.053	6.5%
	Sector II	204940	6.3%	213461.28	4.2%	228840.938	7.2%
	<i>Sub-total industry</i>						
4	Mining and quarrying	21658	-3.8%	21008.26	-3.0%	21218.3426	1.0%
<b>5</b>	<b>Manufacturing</b>	<b>124665</b>	<b>10.0%</b>	<b>132144.9</b>	<b>6.0%</b>	<b>144698.7</b>	<b>9.5%</b>
6	Electricity, gas and water supply	15785	11.9%	17047.8	8.0%	18582.102	9.0%
7	Construction	42832	0.0%	43260.32	1.0%	44341.828	2.5%
	Sector III	199677	7.2%	210036.309	5.2%	222152.245	5.8%
8	Trade, Repair of motor vehicles	80223	6.3%	84234.15	5.0%	88867.0283	5.5%
9	Hotels & Restaurants	18529	8.5%	19473.979	5.1%	20447.678	5.0%
10	Transport, Communication	21207	13.8%	22903.56	8.0%	24964.8804	9.0%
11	Financial intermedation & insurance	10289	6.6%	10803.45	5.0%	11343.6225	5.0%
12	Scientific activity	2906	6.2%	3022.24	4.0%	3173.352	5.0%
13	Business & consultative services	16268	2.5%	16593.36	2.0%	17008.194	2.5%
14	State administration	12974	6.4%	13622.7	5.0%	14303.835	5.0%
15	Education & Training	16710	8.0%	17712.6	6.0%	19041.045	7.5%
16	Health and Social relief	7072	7.7%	7496.32	6.0%	8021.0624	7.0%
17	Culture and Sporting activities	2712	7.8%	2847.6	5.0%	2989.98	5.0%
18	Association	525	6.9%	551.25	5.0%	578.8125	5.0%
19	Social and Personal service	9419	6.3%	9889.95	5.0%	10483.347	6.0%
20	Domestic services serving household	843	8.0%	885.15	5.0%	929.4075	5.0%

## Exports and imports fall

- Exports are falling but not as much as Japan or Korea
- Imports are falling fast as FDI slows.
- We expect exports to drop 16-18% this year

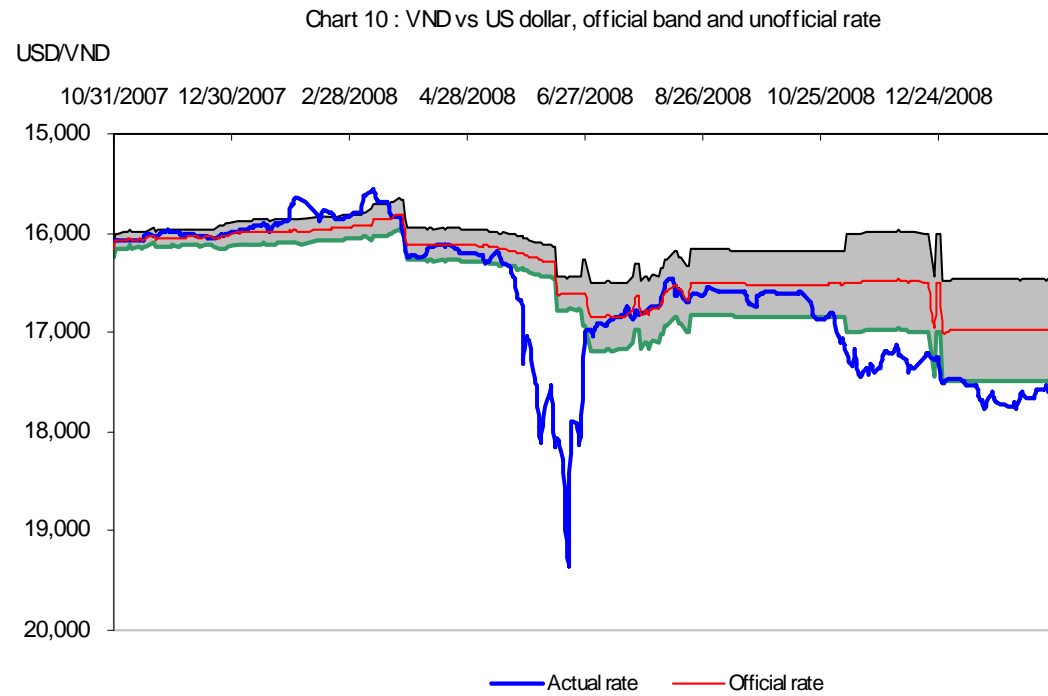
	FY2007	FY2008	FY2009 HSC	y/y
<b>Imports</b>	<b>48387</b>	<b>62628</b>	<b>52908</b>	<b>-16%</b>
<b>Exports</b>	<b>60830</b>	<b>79577</b>	<b>55565</b>	<b>-30%</b>
<b>Trade balance</b>	<b>-12443</b>	<b>-16950</b>	<b>-2657</b>	

## Balance of payments – small deficit

Balance of Payments model				
	2006	2007	2008F	2009F
	(\$bn)	(\$bn)	(\$bn)	(\$bn)
<b>Trade Account</b>	<b>-2.8</b>	<b>-10.3</b>	<b>-13</b>	<b>-2.86</b>
Exports (fob)	39.8	48.6	66.5	53.37
Imports (fob)	42.6	58.9	79.5	56.23
<b>Services and Income</b>	<b>-1.4</b>	<b>-3.1</b>	<b>-2.82</b>	<b>-3.94</b>
Service Income	3.3	6	7.08	4.96
Service payment	-3.3	-6.9	-8.4	-7.10
Investment Income	-1.4	-2.2	-1.5	-1.80
<b>Net Transfers</b>	<b>4</b>	<b>6.4</b>	<b>8</b>	<b>5.40</b>
<b>Current Account</b>	<b>-0.2</b>	<b>-7</b>	<b>-7.82</b>	<b>-1.40</b>
<b>BOP (surplus/deficit)</b>	<b>4.6</b>	<b>10.6</b>	<b>1.38</b>	<b>-2.80</b>
<b>Change in official reserves</b>	<b>4.6</b>	<b>10.6</b>	<b>1.38</b>	<b>-2.80</b>
<b>Reserve Levels HSC est - \$bn</b>	<b>11.5</b>	<b>22.1</b>	<b>23.48</b>	<b>20.68</b>
Months of Imports	3.2	4.5	3.54	4.41
Debt/GDP - %	33.1	30.2	28.2	



## Currency – HSC forecasts up to 10% depreciation in FY2009



## HSC Earnings outlook – Top 25 companies (Hose + HaSTC)

HSC House View or actual results				HSC House View				HSC House View			
FY2008 VND trillion)				FY 2009 (VND trillion)				FY 2010 (VND trillion)			
Net profit	y/y growth	EPS	y/y growth	Net profit	y/y growth	EPS	y/y growth	Net profit	y/y growth	EPS	y/y growth
11.5	-4%	79,542	-38%	10.9	-5%	72,256	-9%	13.2	22%	88,618	23%

## Valuation – reasonable but maybe can get cheaper

FY2008		Market Capitalisation FY 2009		FY2009		FY2010
Price earnings ratios				Weighted price earnings ratios		Weighted price earnings ratios
Market Cap * PE including all	Market Cap * PE excluding VIC	VND	US\$ bn	Market Cap * PE including all	Market Cap * PE excluding VIC	Market Cap * PE including all
7.1	5.8	10,233,799	6.2	10.6	9.7	8.75