

## **The State Bank of Vietnam applies a more flexible currency regime from 2016**

**On the last day of 2015, the State Bank of Vietnam (SBV) announced that it would apply a more flexible currency regime from the start of 2016. Instead of adjusting the reference rate from time to time (made 3 times in FY2015, namely in January, May and August with +1% each time), they now move to daily fixing of the reference rate with a market-based approach.**

Daily fixing of the reference rate will take into account (i) onshore interbank money market movements, (ii) offshore money market movements of Vietnam's major trading partners, and (iii) a view to domestic macro-economic conditions and monetary policy. Daily trading band is kept at  $\pm 3\%$ . The first daily-fixed reference rate was made on 4<sup>th</sup> Jan 2016 with minor adjustment (+0.03% to the previous reference rate which was effective from Aug-Dec 2015). The market was calm to the news and banks' FX rates were revised up accordingly.

The new approach enables the SBV to give VND a more floating regime while still keeping SBV's control over monetary policy to certain extent. SBV's move aims to facilitate the VND to cope with anticipated market developments onshore and offshore in the coming time, hence support stability of the country's macro-economic environment.

In 2015, Vietnam achieved impressive GDP growth rate of 6.68% amidst global slowdown while inflation hit 14-year low of below 1% on tumbling fuel prices. Strong surge in FDI inflows seen in 2H15 and well expected to continue into 2016 on the back of inked Trans Pacific Partnership agreement and signed FTAs with big partners such as the EU, ASEAN, South Korea, etc. in 2015, continued strong domestic consumption, expanding manufacturing and trade activities, and recovering property market make Vietnam a bright spot in the regional investment map in 2016. Now with implementation of the new currency regime which hopefully addresses concern on currency instability, we believe Vietnam's economy will continue its strong growth in the coming years.

Taking this opportunity, we wish you and your family a happy and successful 2016 !