Vietnam Economic Update

February 7th, 2024

Shinhan Securities

Kickoff 2024 with optimistic signals

Vietnam economy remained the recovery in Jan 2024

The manufacturing sector improved slightly when PMI exceeded the threshold of 50, reaching 50.3 in January 2024 from 48.9 in December 2023 mainly thanks to the increase in output and new orders. Selling prices decreased despite a significant increase in input costs to stimulate demand, showing that demand has not really recovered strongly. The industrial production index decreased by 4.44%MoM but increased by 18.3%YoY thanks to more working days than in January 2023 (Lunar New Year holiday). Some key products had strong growth such as sugar (+66.2%), rolled steels (+59.6%), natural fiber fabric (+57.1%), NPK fertilizer (+40.7%)...

Import-export turnover increased sharply in the beginning of the year and was estimated at USD 64.22 billion (+37.7%YoY), of which exports reached USD 33.57 billion (+42%YoY), imports reached USD 30.65 billion (+33.3%YoY). Domestic retail sales of goods and services also remained positive momentum with an increase of 1.6%MoM and 8.1%YoY, reaching VND 524.1 trillion.

Allocation of investment capital from state budget has also been focused on implementation in January 2024 and the disbursement achieved VND 31.1 trillion (+12.5%YoY) in the first month of the year, estimated to reach 4.4% target. Realized foreign direct investment in January 2024 was also positive with USD 1.48 billion (+9.6%YoY).

Healthcare service and electricity prices adjusted up during the period, along with rice prices' increase in accordance with world prices caused CPI in January 2024 to increase by 0.31% compared to the previous month. Over the same period, CPI increased 3.37%YoY while core inflation increased 2.72%YoY, lower than headline CPI for the first time in more than a year.

In general, inflation continues under control, exchange rates have been stable and there was no significant activity on the open market. Interest rates continue to decrease slightly to stimulate credit demand. According to the State Bank of Vietnam, credit growth in 2023 is around 13.5% and its target in 2024 is 15% with an estimated injection of VND 2 quadrillion into the economy. Notably, the State Bank assigned all 2024 credit growth targets to commercial banks right from the beginning of the year according to Official letter No.10167/NHNN-CSTT, creating a boost for banking stocks.

The Land Law (amended) and the Law on Credit Institutions (amended) were officially passed by the National Assembly on January 18, 2024 (*)

The 2024 Land Law, along with the previously approved Real Estate Business Law (amended) and Housing Law (amended), will take effect from January 1, 2025, helping to complete and synchronize the legal corridor for economical, effective and sustainable management and use of land resources; protecting the rights of home buyers and increasing responsibilities of real estate developers; promoting the real estate market to develop more stably and transparently in the coming time. And, the Law on Credit Institutions in 2024 is also expected to ensure the safety and health of banking system with contents related to limiting manipulation of banking operations, early intervention at weak credit institutions, handling bad debts and collaterals...

(*) Refer to updated reports on the two laws

https://shinhansec.com.vn/en/research-center/1307/real-estate-industry-real-estate-legal-update-land-law-law-on-real-estate-trading-law-on-housing.html
https://shinhansec.com.vn/en/research-center/1286/banking-industry-update-on-credit-insitutions-law-amended.html

Vietnam Macroeconomics Update – Jan 2024

Indicators	01/24	12/23	11/23	10/23	09/23	08/23	07/23	06/23	05/23	04/23	03/23	02/23	01/23
CPI (YoY)	3.37%	3.58%	3.45%	3.59%	3.66%	2.96%	2.06%	2.00%	2.43%	2.81%	3.35%	4.31%	4.89%
CPI (MoM)	0.31%	0.12%	0.25%	0.08%	1.08%	0.88%	0.45%	0.27%	0.01%	-0.34%	-0.23%	0.45%	0.52%
PMI	50.30	48.90	47.30	49.60	49.70	50.50	48.70	46.20	45.30	46.70	47.70	51.20	47.40
IIP (YoY)	18.3%	5.8%	5.0%	4.4%	2.9%	3.5%	3.7%	1.8%	0.5%	-2.4%	-2.0%	7.2%	-8.0%
IIP (MoM)	-4.4%	0.1%	3.0%	5.5%	0.1%	2.9%	3.9%	2.0%	2.2%	3.6%	9.6%	5.1%	-14.9%
Retail sales growth (YoY)	8.1%	2.6%	10.1%	7.0%	7.5%	7.6%	7.1%	6.5%	11.5%	11.5%	13.4%	13.2%	20.0%
Export turnover (USDbn)	33.57	31.47	31.12	32.25	30.68	32.76	30.07	29.45	28.04	27.86	29.71	23.42	23.61
Import turnover (USDbn)	30.65	29.40	29.58	29.52	28.48	29.32	27.00	26.36	26.04	25.21	28.32	25.38	22.95
Trade balance (USDbn)	2.92	2.07	1.54	2.73	2.20	3.44	3.07	3.09	2.00	2.65	1.39	-1.96	0.66
Disbursed FDI (YTD, USDbn)	1.48	23.18	20.25	18.00	15.91	13.10	11.58	10.02	7.65	5.90	4.32	2.55	1.35
Registered FDI (YTD, USDbn)	2.36	36.61	28.85	25.76	20.21	18.15	16.24	13.43	10.86	8.88	5.45	3.10	1.69
Public investment (VND trillion)	31.12	77.35	69.14	65.17	62.10	60.84	58.24	54.48	46.22	40.05	34.88	30.05	26.83
Credit growth (YTD)	n.a	n.a	9.19%	7.41%	6.96%	5.57%	4.54%	4.73%	3.27%	3.03%	2.58%	0.85%	0.10%
Deposit by public growth (YTD)	n.a	n.a	10.32%	9.95%	9.95%	9.68%	8.93%	8.82%	8.21%	7.96%	7.08%	5.36%	3.02%
Overnight interbank interest rate	0.18%	0.51%	0.14%	0.81%	0.19%	0.16%	0.19%	0.44%	3.90%	4.12%	1.12%	5.24%	6.23%
Avg. Deposit rate 12M term of SCBs	4.93%	4.95%	5.18%	5.25%	5.50%	5.80%	6.30%	6.30%	6.80%	7.20%	7.20%	7.40%	7.40%
10-Y Government bond yield	2.42%	2.39%	2.49%	3.07%	2.84%	2.72%	2.56%	2.75%	3.27%	3.36%	3.42%	4.53%	4.64%
Selling USD/VND at Vietcombank	25,140	25,009	25,035	25,241	25,243	25,125	24,895	24,940	24,849	24,770	24,780	24,780	24,780

Sources: GSO, SBV, Shinhan Securities Vietnam



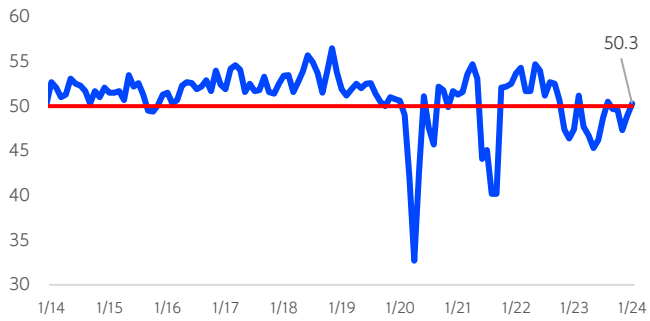
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Manufacturing, Trade and Investment

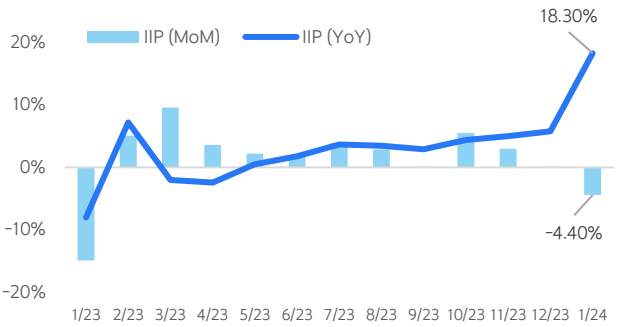
The manufacturing sector improved slightly with PMI recovering to 50.3 and IIP increasing by18.3%YoY, mainly due to leave for Lunar New Year holiday in the same period last year. Compared to previous month, IIP decreased by 4.4%. The number of workers working in industrial enterprises as of January 1, 2024 only increased by 0.5%MoM and 0.1%YoY.

Manufacturing Purchasing Managers' Index (PMI)



Sources: S&P Global PMI, Shinhan Securities Vietnam

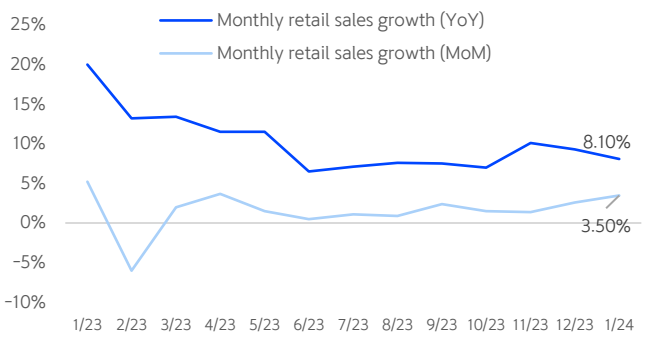
Index of Industrial Production (IIP)



Sources: GSO, Shinhan Securities Vietnam

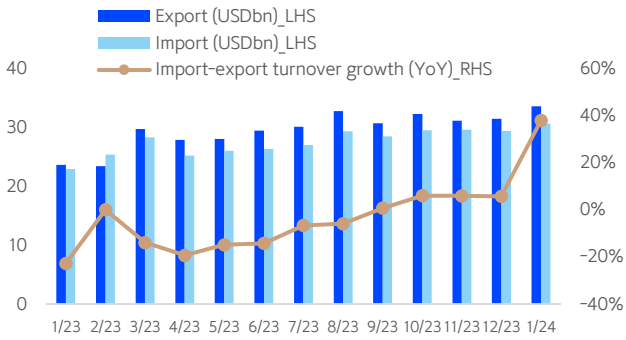
Trade activities still remained positive with retail sales increasing by 8.1%YoY and total import-export turnover estimated at USD 64.22 billion (+37.7%YoY) with a trade surplus of USD 2.92 billion.

Retail sales of goods and services



Sources: GSO, Shinhan Securities Vietnam

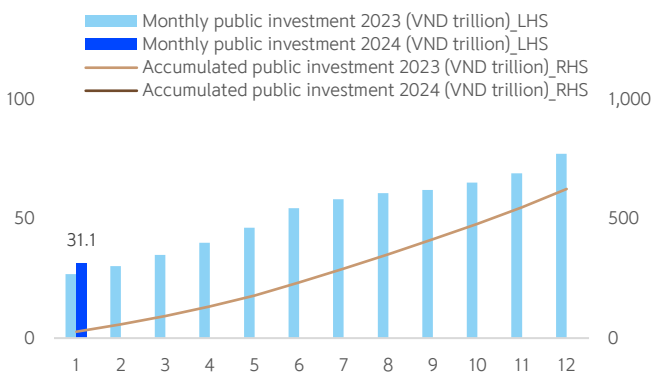
Import-Export turnover



Sources: GSO, Shinhan Securities Vietnam

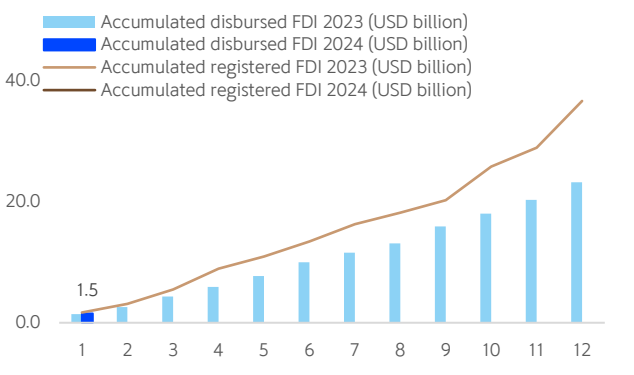
Investment activities have been positive since the beginning of the year with disbursement from State budget and foreign direct investment both growing high, reaching 12.5%YoY and 9.6%YoY respectively. Registered FDI was also positive, reaching USD 2.36 billion USD (+40.2%YoY).

Public investment



Sources: GSO, Shinhan Securities Vietnam

Foreign direct investment (FDI)

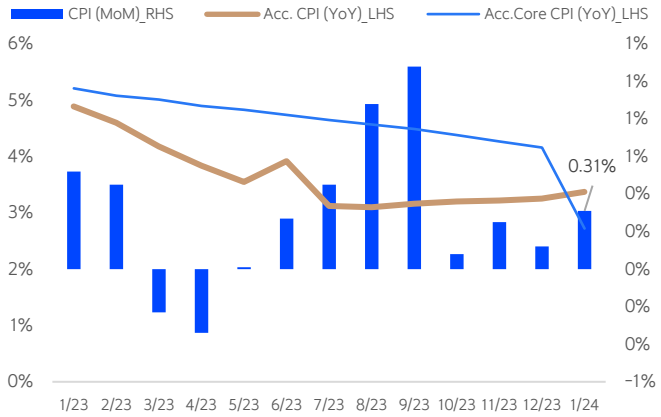


Sources: MPI, Shinhan Securities Vietnam

Economic Growth and Inflation

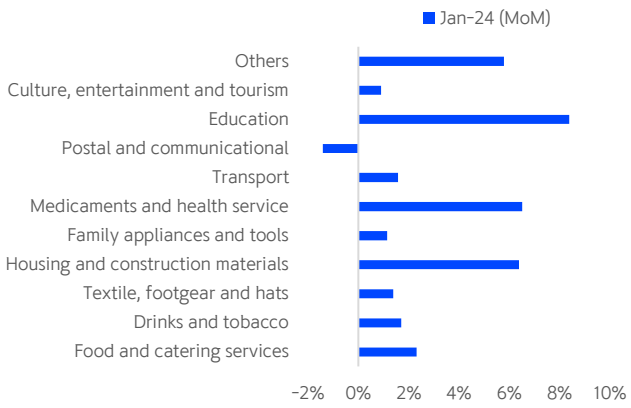
Inflation continues to be well controlled in January 2024 despite increases in electricity and healthcare service prices. Core inflation has decreased to 2.72%YoY, lower than headline CPI at 3.37% for the first time in more than a year.

CPI



Sources: GSO, Shinhan Securities Vietnam

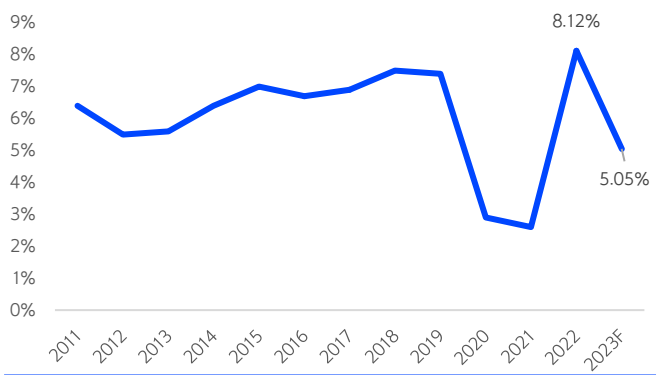
Change in CPI categories



Sources: GSO, Shinhan Securities Vietnam

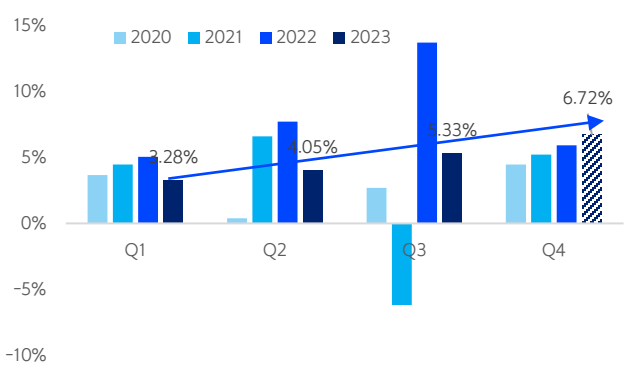
GDP growth maintained a positive trend over the quarters, reaching 6.72%YoY in Q4/2023 (higher than result of Q4 in 2012-2013 and 2020-2022) and is estimated to increase by 5.05%YoY for the whole of 2023.

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

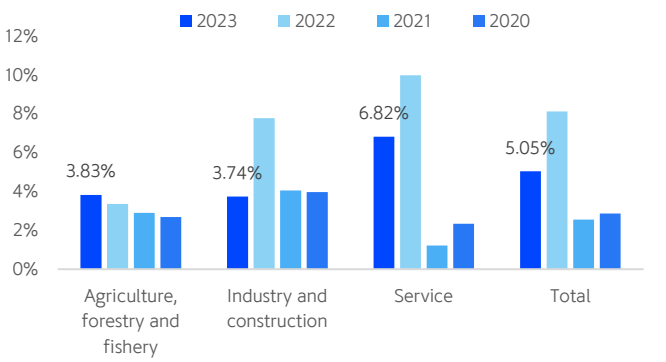
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

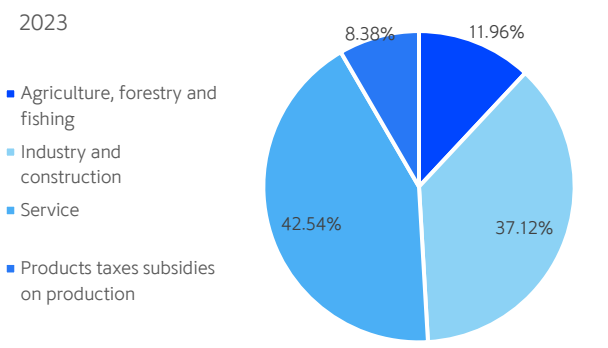
Agricultural sector played a supporting role for the economy thanks to stable growth; services sector strongly recovered; while industry and construction sector still struggled but some positive signs have been emerged in the second half of 2023.

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP

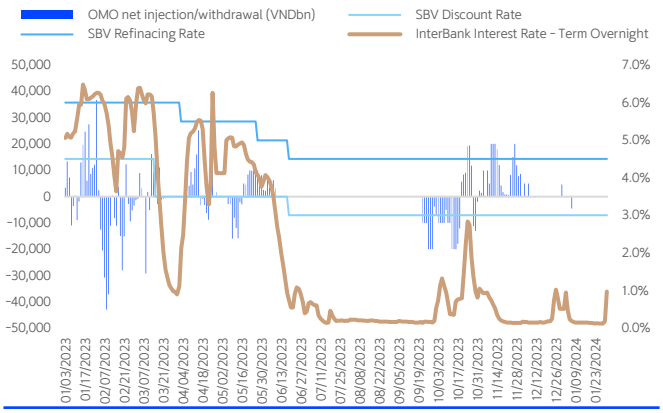


Source: GSO, Shinhan Securities Vietnam

Monetary Market

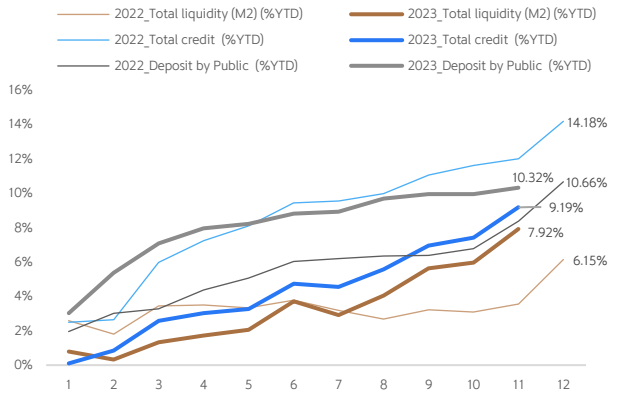
There was no significant activity on open market in January 2024. Overnight interbank interest rates remained at a record low, on average of 0.2% p.a, showing that system liquidity is very abundant.

Open market operation (OMO)



Sources: SBV, FiinPro, Shinhan Securities Vietnam

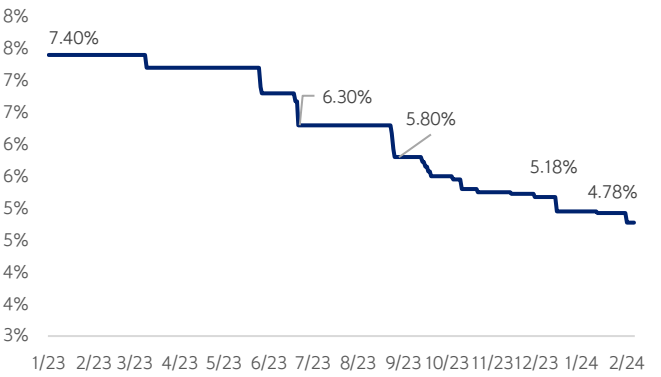
Money supply and credit



Sources: SBV, FiinPro, Shinhan Securities Vietnam

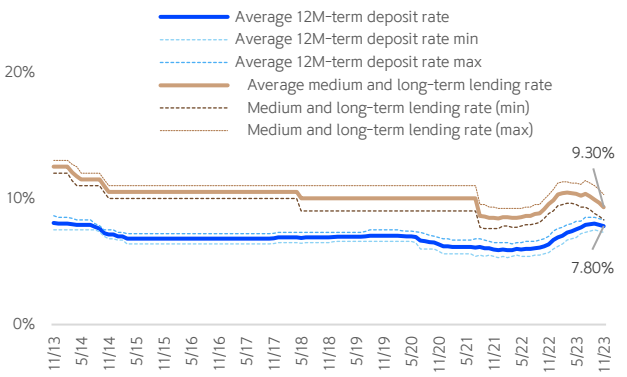
Deposit rate 12M term at SCBs continue to decrease, reaching an average of 4.93% p.a at the end of January 2024 and continuing to decrease to 4.78% p.a in the early of February 2024. Lending interest rates are also expected to maintain a corresponding downward trend.

Deposit rate 12M term at SCBs



Sources: FiinPro, Shinhan Securities Vietnam

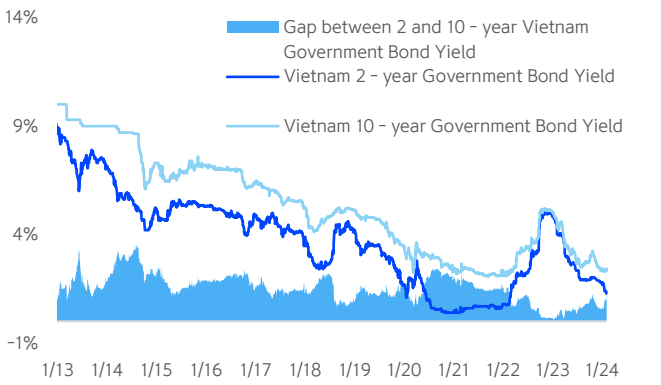
Average deposit rate and lending rate



Sources: SBV, FiinPro, Shinhan Securities Vietnam

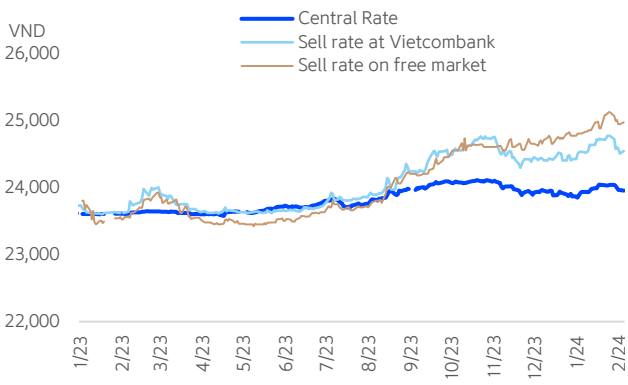
Exchange rate remained stable even though USD tended to strengthen when FED signaled that it would not reduce interest rates soon. Government bond yields continued their downward trend and reached 2.42% at the end of January 2024 for a 10-year term.

Government bond yield



Sources: SBV, FiinPro, Shinhan Securities Vietnam

Exchange rate USD/VND



Sources: SBV, FiinPro, Shinhan Securities Vietnam

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