Vietnam Economic Update

March 25th, 2024

Shinhan Securities

Exchange rate cools down soon

US. Dollar Index (DXY) rising to fresh one-month high after FED's decision

On March 20, FED kept federal interest rates unchanged at 5.25% - 5.5% and expected to cut 3 times (0.75%) by the end of this year if inflation is sustainably declining toward its 2% target. DXY had its second consecutive weekly increase to 104.43 (+3.04%YTD) on Friday (March 22) in response to diverged monetary policies of world central banks. While Bank of Japan (BOJ) slightly increased interest rates to exit negative interest rates, Swiss Central Bank (SNB) unexpectedly cut interest rates and may be followed by Bank of England and other EU countries. Coupled with better-than-expected US economic data, until a new policy announcement from FED, DXY could continue its upward momentum and put pressure on exchange rates.

SBV proactively implemented measures to stabilize VND

The domestic USD/VND increased sharply in the past two weeks and established new peaks, at 25,700 VND (+3.8%YTD) on the free market (March 11) and 24,970 VND (+2.3%YTD) at Vietcombank (March 22) in the context of DXY increasing sharply, gold price exceeding its peak, higher USD demand for import orders and capital withdrawals (on stock market) of foreign investors, especially abundant liquidity of banking system due to negative credit growth in 2M2024. To stabilize VND, SBV has returned to withdraw through OMO since March 11 with accumulated amount of VND 144.7 trillion as of March 22, still lower than VND 255.7 trillion in September 2023. With winning interest rates and interbank interest rates still at low levels, it is likely that SBV will continue to net absorb in the coming days to support exchange rate.

In addition, SBV has just announced the Draft Circular amending and supplementing Clause 3, Article 5 of Circular 02/2021/TT-NHNN guiding foreign currency transactions of credit institutions. Accordingly, the basis for determining the forward exchange rate between VND and USD in forward transactions and forward transactions in swap will not be specified in the Circular but will be decided by the Governor of State Bank from time to time because the gap between domestic and international interest rates has changed rapidly and unpredictably in recent times and is expected to continue in the future. This amending and supplementing will increase flexibility and initiative in operating monetary policy and exchange rates in responding to changes of domestic and international market conditions and is consistent with the principle of central exchange rate and exchange rate margin which are specified in Decisions issued by the Governor of State Bank in each period.

Pressures on exchange rate remain in short-term but will cool down in 2H2024

DXY is forecasted to continue its rising momentum to recent peak of 104.95, or even higher at 107.04 before the next move of FED. Therefore, the pressure on USD/VND in the short term still remain but is expected to cool down in the second half of 2024 and VND devaluation will be less than 3% for the whole year 2024 thanks to (1) consensus prospect of interest rate cuts from FED and major central banks around the world in the coming time after SNB's action, (2) Vietnam's FDI and exports are recovering strongly and support foreign currency supply; and (3) impact of SBV's net withdrawal through OMO in March 2024 and flexible mechanism on operating forward exchange rate approved.

Vietnam Macroeconomics Update – Feb 2024

Indicators	02/24	01/24	12/23	11/23	10/23	09/23	08/23	07/23	06/23	05/23	04/23	03/23	02/23
CPI (YoY)	3.98%	3.37%	3.58%	3.45%	3.59%	3.66%	2.96%	2.06%	2.00%	2.43%	2.81%	3.35%	4.31%
CPI (MoM)	1.04%	0.31%	0.12%	0.25%	0.08%	1.08%	0.88%	0.45%	0.27%	0.01%	-0.34%	-0.23%	0.45%
PMI	50.40	50.30	48.90	47.30	49.60	49.70	50.50	48.70	46.20	45.30	46.70	47.70	51.20
IIP (YoY)	-6.8%	18.9%	5.8%	5.0%	4.4%	2.9%	3.5%	3.7%	1.8%	0.5%	-2.4%	-2.0%	7.2%
IIP (MoM)	-18.0%	-4.4%	0.1%	3.0%	5.5%	0.1%	2.9%	3.9%	2.0%	2.2%	3.6%	9.6%	5.1%
Retail sales growth (YoY)	8.5%	8.1%	2.6%	10.1%	7.0%	7.5%	7.6%	7.1%	6.5%	11.5%	11.5%	13.4%	13.2%
Export turnover (USDbn)	24.82	34.52	31.47	31.12	32.25	30.68	32.76	30.07	29.45	28.04	27.86	29.71	23.42
Import turnover (USDbn)	23.72	30.90	29.40	29.58	29.52	28.48	29.32	27.00	26.36	26.04	25.21	28.32	25.38
Trade balance (USDbn)	1.10	3.62	2.07	1.54	2.73	2.20	3.44	3.07	3.09	2.00	2.65	1.39	-1.96
Disbursed FDI (YTD, USDbn)	2.80	1.48	23.18	20.25	18.00	15.91	13.10	11.58	10.02	7.65	5.90	4.32	2.55
Registered FDI (YTD, USDbn)	4.29	2.36	36.61	28.85	25.76	20.21	18.15	16.24	13.43	10.86	8.88	5.45	3.10
Public investment (VND trillion)	26.88	32.93	77.35	69.14	65.17	62.10	60.84	58.24	54.48	46.22	40.05	34.88	30.05
Credit growth (YTD)	n.a	n.a	13.78%	9.19%	7.41%	6.96%	5.57%	4.54%	4.73%	3.27%	3.03%	2.58%	0.85%
Deposit by public growth (YTD)	n.a	n.a	n.a	10.32%	9.95%	9.95%	9.68%	8.93%	8.82%	8.21%	7.96%	7.08%	5.36%
Overnight interbank interest rate	1.46%	1.00%	0.97%	0.14%	0.81%	0.19%	0.16%	0.19%	0.44%	3.90%	4.12%	1.12%	5.24%
Avg. Deposit rate 12M term of SCBs	4.78%	4.93%	4.95%	5.18%	5.25%	5.50%	5.80%	6.30%	6.30%	6.80%	7.20%	7.20%	7.40%
10-Y Government bond yield	2.46%	2.42%	2.39%	2.49%	3.07%	2.84%	2.72%	2.56%	2.75%	3.27%	3.36%	3.42%	4.53%
Selling USD/VND on free market	25,430	25,000	24,770	24,650	24,600	24,450	24,220	23,720	23,630	23,500	23,460	23,520	23,920

Sources: GSO, SBV, FiinPro-X, Shinhan Securities Vietnam



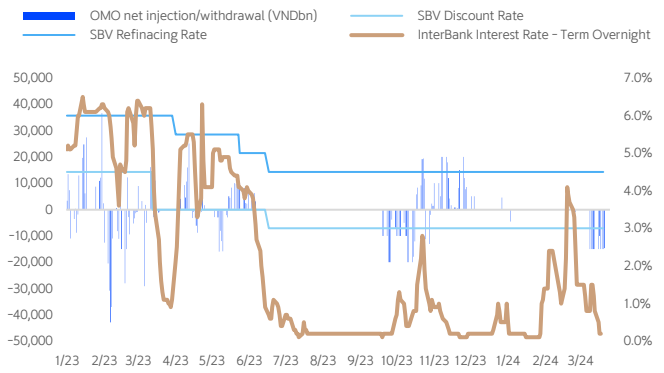
This document is provided for information purposes only. Any forecasts, figures, opinions and strategies set out are based on certain assumptions and current market conditions and subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy and no liability in respect of any error or omission.

Shinhan Securities Vietnam
Ly Bui – Head of Research
☎ (84-28)6299-8029 ✉ ly.btt@shinhan.com

Monetary Market

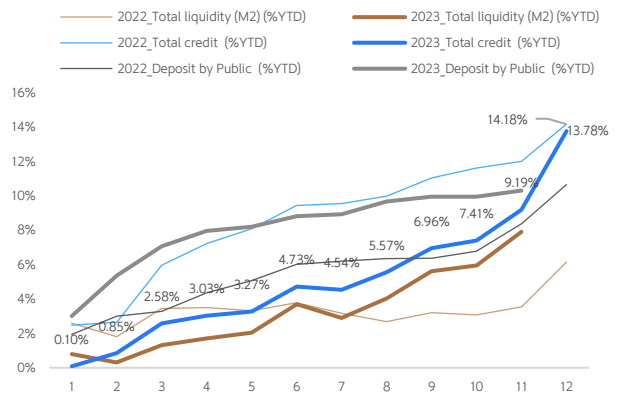
SBV net withdrew VND 144.7 trillion on OMO in 10 consecutive sessions (from March 11 to March 22, 2024) to stabilize exchange rate in the context of abundant liquidity in banking system, negative credit growth in 2M2024 and gold prices and exchange rates both set new highs.

Open market operation (OMO)



Sources: SBV, FiinPro, Shinhan Securities Vietnam

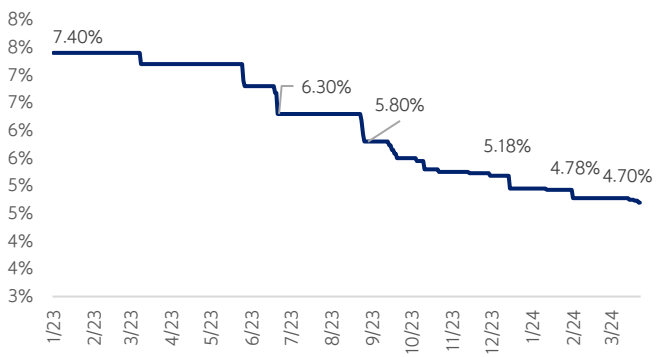
Money supply and credit



Sources: SBV, FiinPro, Shinhan Securities Vietnam

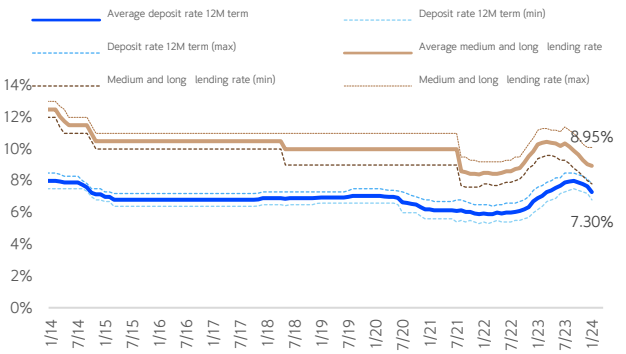
Deposit interest rates 12M term at State-owned commercial banks (SCBs) continue to decrease, reaching 4.7% on March 22, 2024, and a similar move at private commercial banks, promoting a reduction in lending interest rates in the near future.

Deposit rate 12M term at SCBs



Sources: FiinPro, Shinhan Securities Vietnam
SCBs: Vietcombank, Vietinbank, Agribank and BIDV

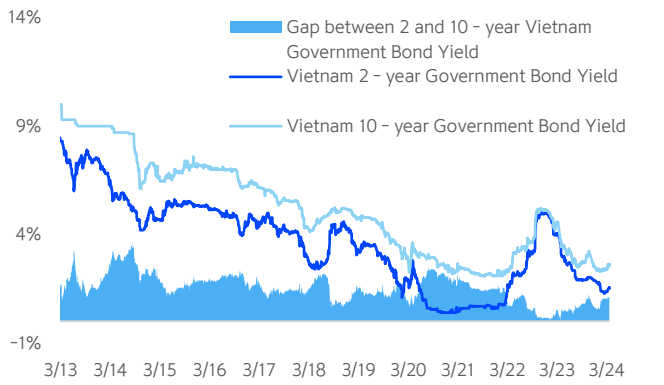
Average deposit rate and lending rate



Sources: SBV, FiinPro, Shinhan Securities Vietnam
Average rate is average of min rate and max rate.

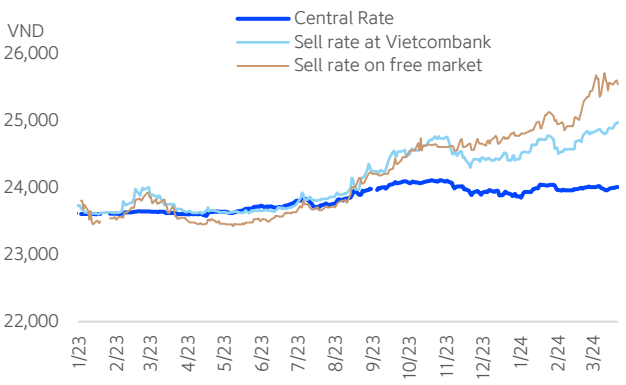
USD/VND exchange rate increased rapidly in the past two months, especially on free market to peak at 25,700 VND (+3.8%YTD) on March 11, 2024, causing the exchange rate in banks to increase to new peak at 24,970 VND (+2.3%YTD) on March 22, 2024.

Government bond yield



Sources: SBV, FiinPro, Shinhan Securities Vietnam

Exchange rate USD/VND

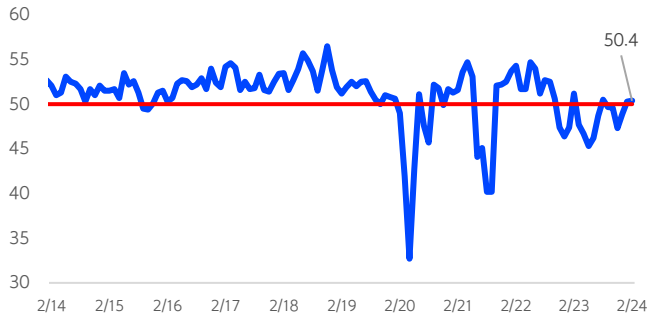


Sources: SBV, FiinPro, Shinhan Securities Vietnam

Manufacturing, Trade and Investment

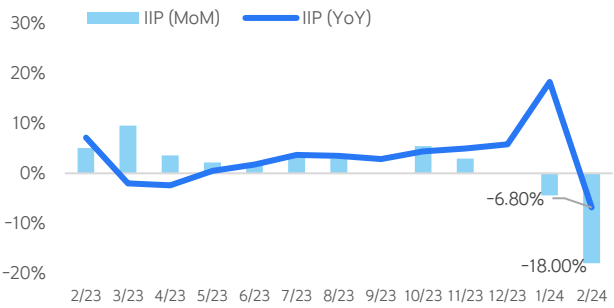
Due to Lunar New Year holiday falling in February 2024, IIP of this month decreased by 18% compared to Jan 2024 but overall IIP of 2M2024 still increased positively by 5.7%YoY and PMI remained above the 50 threshold for the second consecutive month, employment increased for the first time in four months as new orders continue to improve.

Manufacturing Purchasing Managers' Index (PMI)



Sources: S&P Global PMI, Shinhan Securities Vietnam

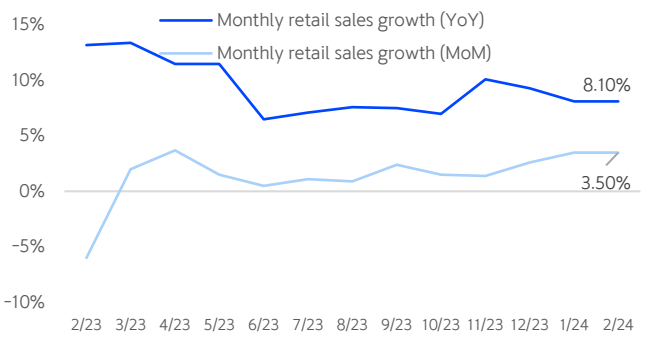
Index of Industrial Production (IIP)



Sources: GSO, Shinhan Securities Vietnam

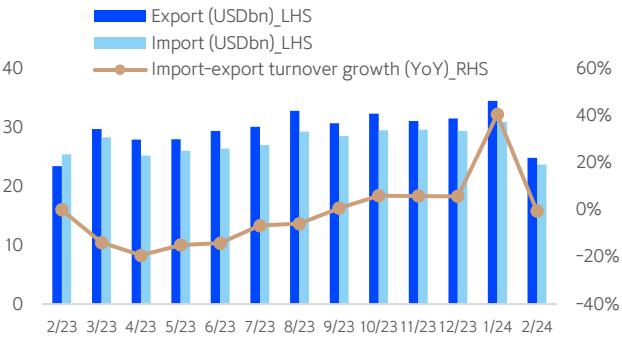
The recovery in both domestic and world demand helps retail sales and import-export turnover continue to remain positive in 2M2024, reaching VND 1,031.5 trillion (+8.1%YoY) and USD 113.96 billion (+18.6% YoY), respectively with a trade surplus of USD 4.72 billion.

Retail sales of goods and services



Sources: GSO, Shinhan Securities Vietnam

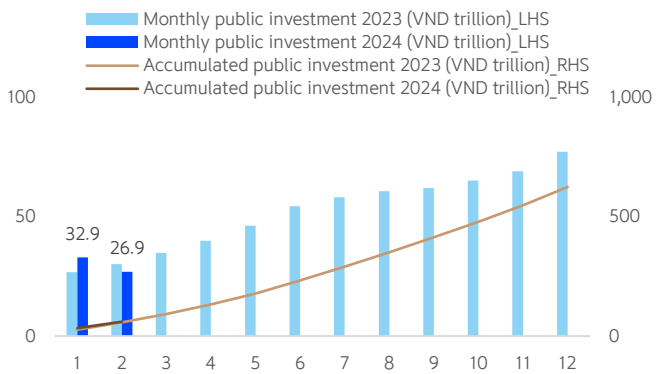
Import-Export turnover



Sources: GSO, Shinhan Securities Vietnam

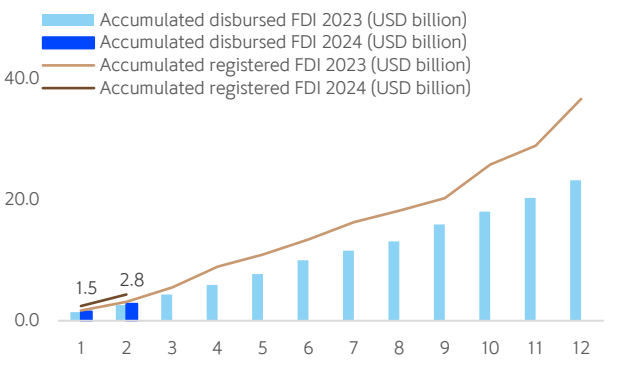
In 2M2204, disbursement of public investment was equivalent to the previous year, reaching VND 59.8 trillion (+2.1%YoY) while FDI capital was actively since the beginning of the year with registered capital of USD 4.29 billion (+38.6%YoY) and disbursed capital of USD 2.8 billion (+9.8%YoY).

Public investment



Sources: GSO, Shinhan Securities Vietnam

Foreign direct investment (FDI)

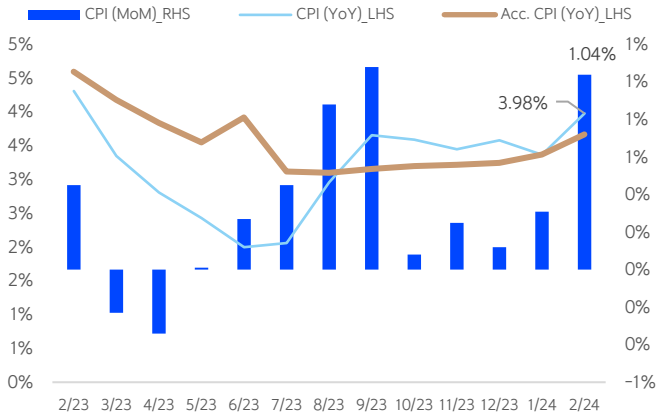


Sources: MPI, Shinhan Securities Vietnam

Economic Growth and Inflation

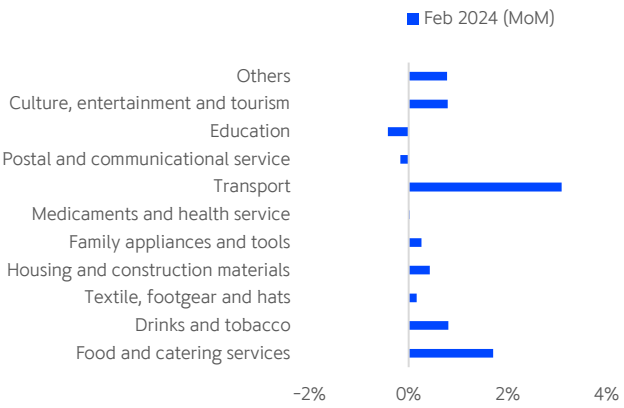
CPI in Feb 2024 increased by 1.04%MoM due to high shopping demand during Lunar New Year and increased by 3.98%YoY. Average CPI of 2M2024 increased by 3.67%YoY and core inflation was at 2.84%YoY. Notably, domestic gold prices rose sharply by 16.7%YoY to widen the gap with world gold prices, putting pressure on exchange rates and inflation.

CPI



Sources: GSO, Shinhan Securities Vietnam

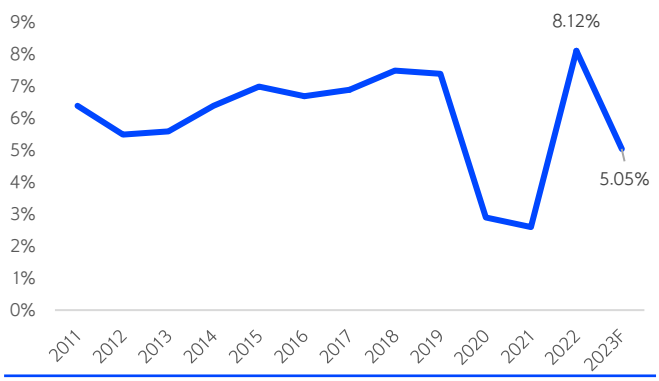
Change in CPI categories



Sources: GSO, Shinhan Securities Vietnam

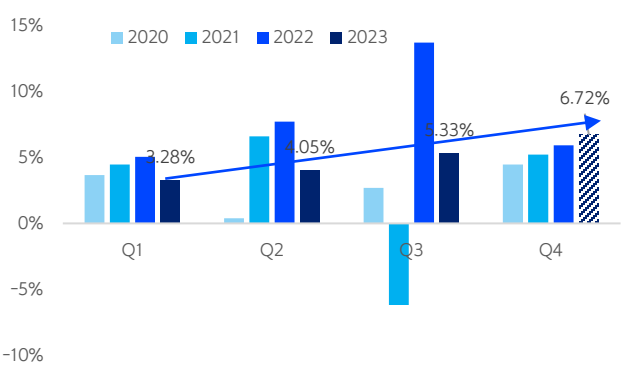
GDP growth maintained a positive trend over the quarters, reaching 6.72%YoY in Q4/2023 (higher than result of Q4 in 2012-2013 and 2020-2022) and is estimated to increase by 5.05%YoY for the whole of 2023.

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

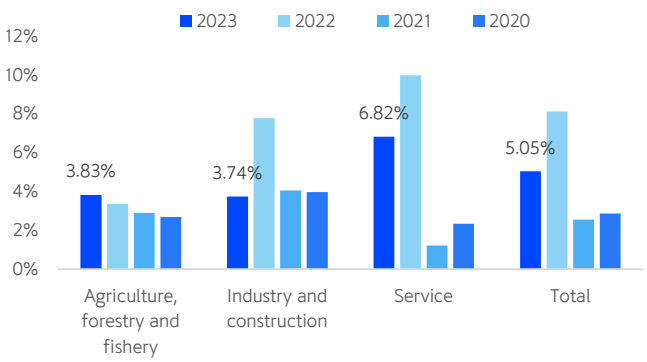
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

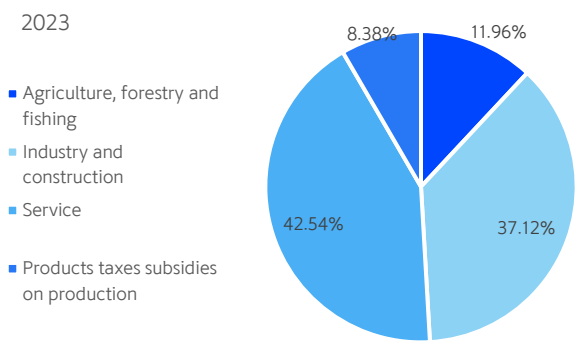
Agricultural sector played a supporting role for the economy thanks to stable growth; services sector strongly recovered; while industry and construction sector still struggled but some positive signs have been emerged in the second half of 2023.

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP



Source: GSO, Shinhan Securities Vietnam

Shinhan Investment Network

Shinhan Securities

SEOUL

Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

SHANGHAI

Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

NEW YORK

Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

HO CHI MINH

Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

HONG KONG

Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

HA NOI

Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District,
Hanoi, Vietnam.
Tel : (84-8) 6299-8000

INDONESIA

PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599



Compliance Notice

- Analyst Certification: We/I hereby certify the information and material presented in this report are accurate expressions of their views, and that we/I have not received internally or externally wrongful pressure to express such views.
- All opinions and estimates regarding the company and its securities are accurate representations of the covering analyst's judgments as of this date and may differ from actual results.
- This report is intended to provide information to assist investment decisions only and should not be used or considered an offer or the solicitation of an offer to sell or to buy any securities. Stock selection and final investment decisions should be made at the client's own discretion.
- This report is distributed to our clients only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.

Disclaimers

- This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of Shinhan Securities Vietnam Ltd.., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of Shinhan Securities Vietnam Ltd.
- This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. Shinhan Securities Vietnam Ltd. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Shinhan Securities Vietnam Ltd.., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or Shinhan Securities Vietnam Ltd. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.
- Copyright ⓒ 2020 Shinhan Securities Vietnam Ltd. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of Shinhan Securities Vietnam Ltd.