Vietnam Economic Update

June 13th, 2024

Shinhan Securities

The economy maintains growth momentum

Industrial production, services and investment all grew quite well in 5M2024

The Index of Industrial Production (IIP) in May was more positive than the previous month with an increase of 3.9% MoM and 8.9% YoY. For 5M2024, IIP increased by 6.8% YoY while it decreased by 2% in the same period in 2023 . PMI in May still maintained at 50.3 thanks to the increase in new orders. Overall, the health of manufacturing changed slightly in 5M2024 but is expected to improve in the following months after imports increased sharply in the last two months to serve the expansion of domestic production.

The service sector maintains recovery with retail sales in 5M2024 growing by 8.7% YoY (compared to the growth of 12.3% in same period in 2023), thanks to positive contribution of tourism sector. Total import and export turnover of goods in 5M2024 reached USD 305.5 billion (+16.6% YoY), of which exports increased by 15.2% and imports increased by 18.2%. Trade balance still had a surplus of USD 8 billion despite it became deficit around USD 1 billion in May 2024.

Disbursement of public investment capital and FDI both recorded positive growth, reaching USD 7.6 billion (~VND 190.6 trillion, +5% YoY) and USD 8.3 billion (+7.8% YoY), respectively. Total registered FDI reached USD 11 billion (+2% YoY), of which newly registered capital grew strongly, reaching USD 7.9 billion (+50.8% YoY).

Control inflation and flexibly manage exchange rates

CPI in May increased slightly by 0.05% compared to the previous month and average CPI of 5M2024 increased by 4.03% YoY, still within the target range of 4-4.5%. The exchange rate shows signs of being more stable and VND on the free market depreciated by 4.4% YTD to USD as of the end of May 2024. The State Bank of Vietnam (SBV) has implemented a series of solutions to stabilize Vietnam dong through net withdrawal and interest rates hike on the open market and might sell foreign currency reserves to intervene. In addition, from June 3, 2024, SBV has changed the method of supplying gold to the market, by selling directly to people through 4 state-owned commercial banks and Saigon Jewelry Company Limited - SJC, replaced for previous auctions which helped to narrow the difference in domestic and world gold prices effectively, contributing to macroeconomic stability. Exchange rate pressure will ease in the second half of 2024 thanks to the prospect of interest rate cuts by major central banks. ECB cut interest rates for the first time since 2019 on June 6, 2024 while FED is expected to have one rate cut in 2024 and four rate cuts in 2025 with total reduction of 1.25%.

Continue to reduce lending interest rates to promote credit growth, striving to reach 5-6% by the end of Q2 2024

Credit growth in 5M2024 was very slow, estimated to reach 2.41% YTD, far from the year target of 15%. Therefore, SBV has issued document No. 4662/NHNN-CSTT requesting credit institutions to implement a number of solutions on credit and interest rates, notably striving to reduce lending interest rates by 1-2% p.a and reach 5-6% of credit growth by the end of Q2 2024. In May 2024, commercial banks also launched many preferential loan packages with average lending interest rate slightly decreasing by about 0.2% compared to previous month and down nearly 1% compared to the end of 2023. By enhancing digital transformation, simplifying lending procedures, and reducing costs, commercial banks may further reduce lending interest rates by 0.5-1% from now until the end of the year to support businesses and promote credit and economic growth.

Vietnam Macroeconomics Update – May 2024

Indicators	05/24	04/24	03/24	02/24	01/24	12/23	11/23	10/23	09/23	08/23	07/23	06/23	05/23
CPI (YoY)	4.44%	4.42%	3.97%	3.98%	3.37%	3.58%	3.45%	3.59%	3.66%	2.96%	2.06%	2.00%	2.43%
CPI (MoM)	0.05%	0.07%	-0.23%	1.04%	0.31%	0.12%	0.25%	0.08%	1.08%	0.88%	0.45%	0.27%	0.01%
PMI	50.30	50.30	49.90	50.40	50.30	48.90	47.30	49.60	49.70	50.50	48.70	46.20	45.30
IIP (YoY)	8.9%	7.4%	4.8%	-5.9%	19.5%	5.8%	5.0%	4.2%	2.9%	3.5%	2.3%	1.7%	0.5%
IIP (MoM)	3.9%	0.8%	20.0%	-18.0%	-4.4%	0.1%	3.0%	5.5%	0.1%	2.9%	3.9%	2.0%	2.2%
Retail sales growth (YoY)	9.5%	9.0%	9.2%	8.5%	8.1%	9.3%	10.1%	7.0%	7.5%	7.6%	7.1%	6.5%	8.2%
Export turnover (USDbn)	32.81	31.10	33.66	24.69	34.53	31.47	31.12	32.25	30.68	32.76	30.07	29.45	28.04
Import turnover (USDbn)	33.81	29.99	30.88	23.30	30.91	29.40	29.58	29.52	28.48	29.32	27.00	26.36	26.04
Trade balance (USDbn)	-1.00	1.11	2.78	1.38	3.62	2.07	1.54	2.73	2.20	3.44	3.07	3.09	2.00
Disbursed FDI (YTD, USDbn)	8.25	6.28	4.63	2.80	1.48	23.18	20.25	18.00	15.91	13.10	11.58	10.02	7.65
Registered FDI (YTD, USDbn)	11.07	9.27	6.17	4.29	2.36	36.61	28.85	25.76	20.21	18.15	16.24	13.43	10.86
Public investment (VND trillion)	48.21	43.49	37.88	28.08	32.93	77.35	69.14	65.17	62.10	60.84	58.24	54.48	46.22
Credit growth (YTD)	n.a	n.a	n.a	-0.75%	-0.68%	13.78%	9.19%	7.41%	6.96%	5.57%	4.54%	4.73%	3.27%
Deposit by public growth (YTD)	n.a	n.a	n.a	n.a	n.a	11.37%	10.32%	9.95%	9.95%	9.68%	8.93%	8.82%	8.21%
Overnight interbank interest rate	4.00%	4.60%	2.51%	1.46%	1.00%	0.97%	0.14%	0.81%	0.19%	0.16%	0.19%	0.44%	3.90%
Avg. Deposit rate 12M term of SCBs	4.68%	4.68%	4.70%	4.78%	4.93%	4.95%	5.18%	5.25%	5.50%	5.80%	6.30%	6.30%	6.80%
10-Y Government bond yield	2.87%	2.85%	2.75%	2.46%	2.42%	2.39%	2.49%	3.07%	2.84%	2.72%	2.56%	2.75%	3.27%
Selling USD/VND on free market	25,855	25,640	25,470	25,430	25,000	24,770	24,650	24,600	24,450	24,220	23,720	23,630	23,500

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



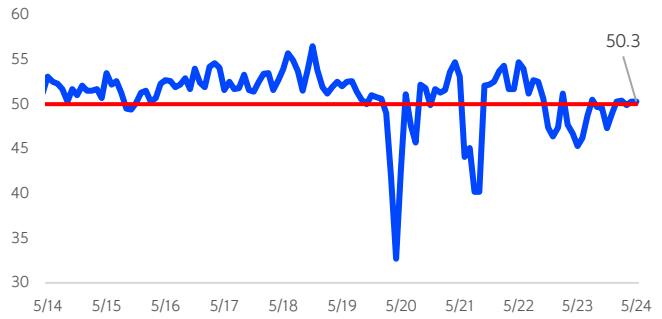
This document is provided for information purposes only. Any forecasts, figures, opinions and strategies set out are based on certain assumptions and current market conditions and subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, 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

Manufacturing, Trade and Investment

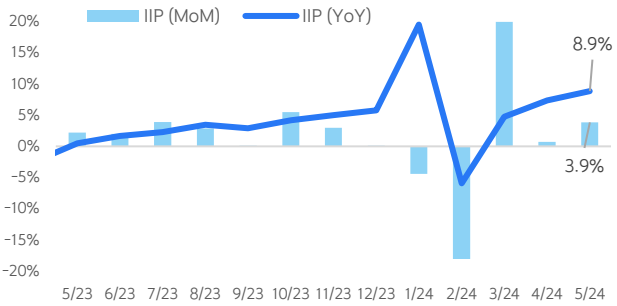
Industrial production continued upward momentum in May with IIP increased by 3.9%MoM and 8.9%YoY. For 5M2024, IIP increased quite well at 6.8%YoY, mainly due to the low base effect of 5M2023. PMI remained unchanged from the previous month, stood at 50.3 in May thanks to an increase in new orders, helping output and purchasing activities to rise, but employment continued to decline and input costs were higher.

Manufacturing Purchasing Managers' Index (PMI)



Sources: S&P Global PMI, Shinhan Securities Vietnam

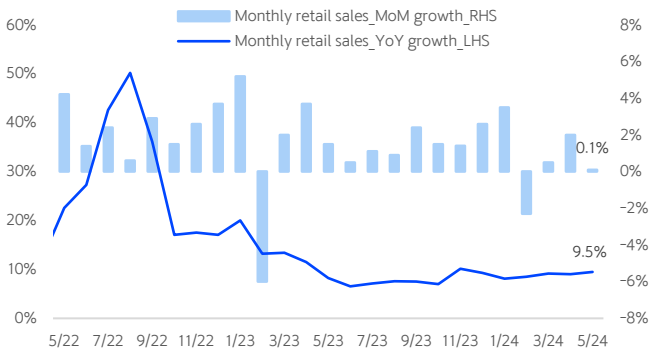
Index of Industrial Production (IIP)



Sources: GSO, Shinhan Securities Vietnam

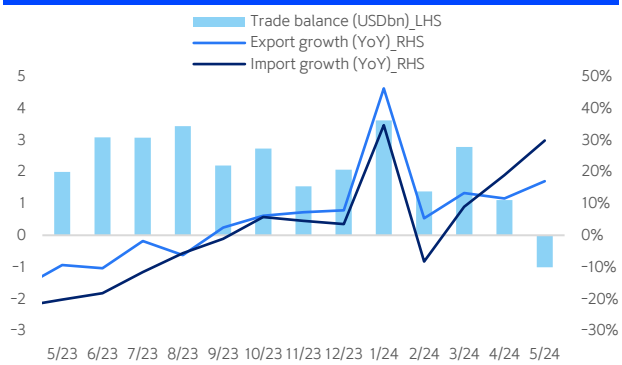
Retail sales in May only increased by 0.1% MoM and 9.5% YoY thanks to the strong recovery of tourism. Accumulated for 5M2024, retail sales maintained recovery with an increase of 8.7%YoY. Import and export turnover grew strongly, in which imports increased faster than exports for the second consecutive month, causing the trade surplus to decrease slightly to USD 8.01 billion after first 5 months of 2024.

Retail sales of goods and services



Sources: GSO, Shinhan Securities Vietnam

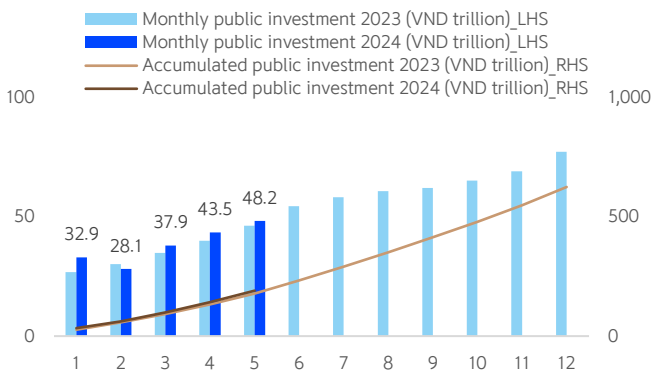
Import-Export turnover



Sources: GSO, Shinhan Securities Vietnam

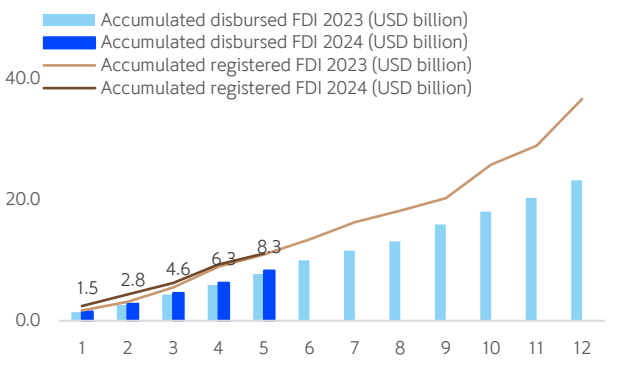
Disbursement of public investment capital in 5M2024 reached VND 190.6 trillion (+5% YoY), completing 26.6% of the year plan while disbursement of FDI reached USD 8.25 billion (+7.8%YoY). Registered FDI reached USD 11.07 billion (+2.0%YoY), of which, newly registered capital increased sharply by 50.8%YoY, showing a positive situation of FDI attraction.

Public investment



Sources: GSO, Shinhan Securities Vietnam

Foreign direct investment (FDI)

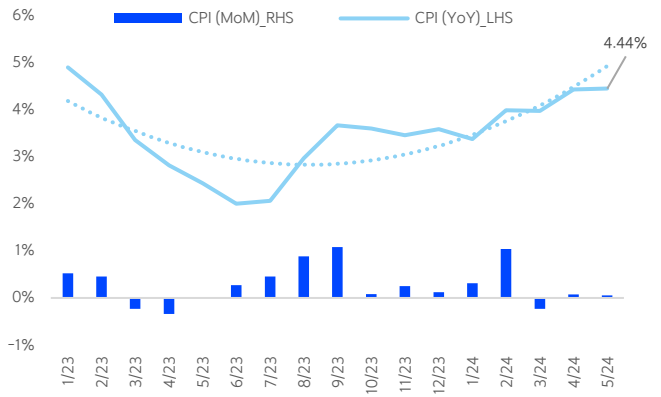


Sources: MPI, Shinhan Securities Vietnam

Economic Growth and Inflation

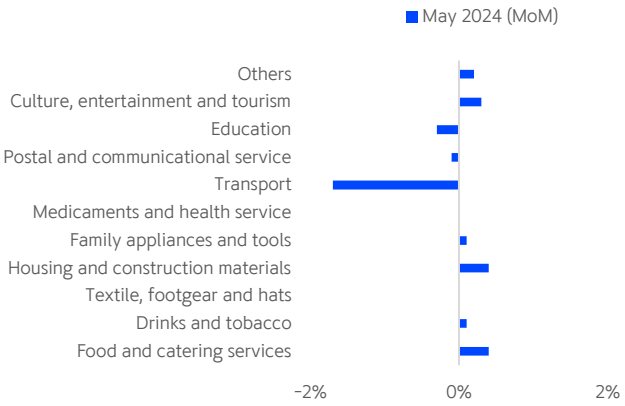
Inflation almost unchanged compared to previous month with CPI in May increased by 0.05% MoM and 4.44% YoY. Average CPI of 5M2024 increased by 4.03% YoY, of which core inflation increased by 2.78% YoY. Rising pork prices backed by supply shortage due to African swine fever and rising electricity prices under hot weather are the main causes of May's CPI increase.

CPI



Sources: GSO, Shinhan Securities Vietnam

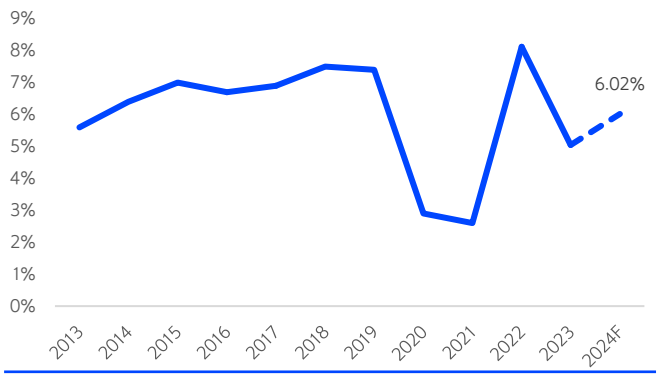
Change in CPI categories



Sources: GSO, Shinhan Securities Vietnam

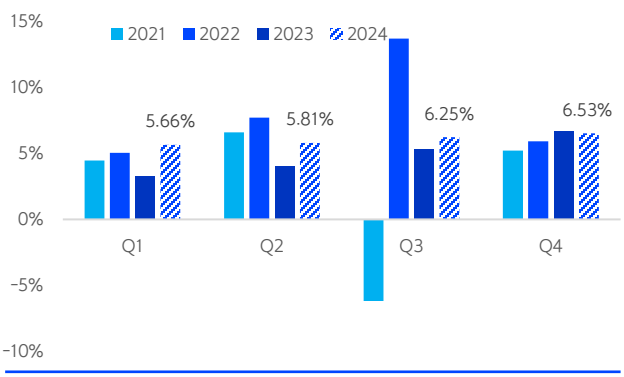
Continuing recovery momentum from 2023Q3, GDP 2024Q1 grew dramatically by 5.66%YoY, the highest in the last 4 years. However, domestic consumption showed signs of slowing, so we maintain our estimate of 2024 GDP growth at 6%.

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

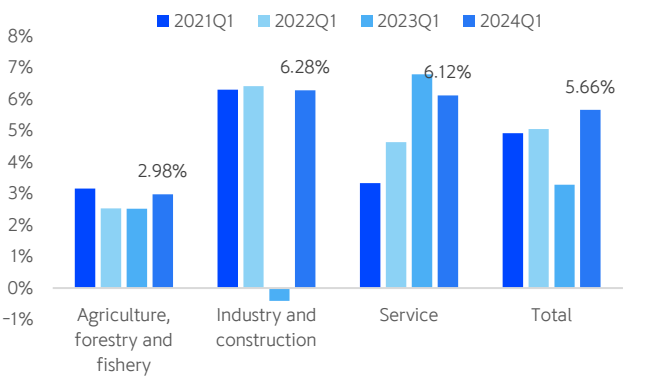
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

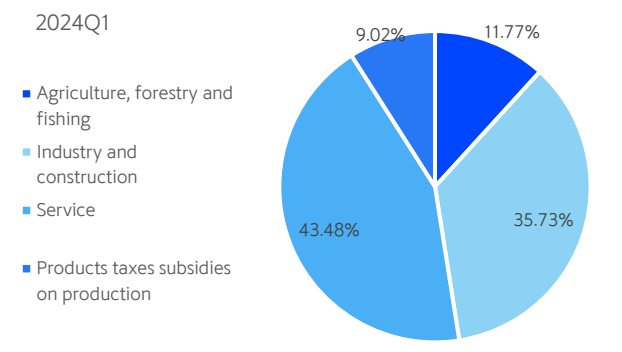
Industrial and construction sector is the main growth driver in 2024Q1, contributing 2.02% to overall growth rate thanks to manufacturing flourishing and continuing its growth momentum since late 2023, while agricultural and services sector maintained their stable growth.

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP

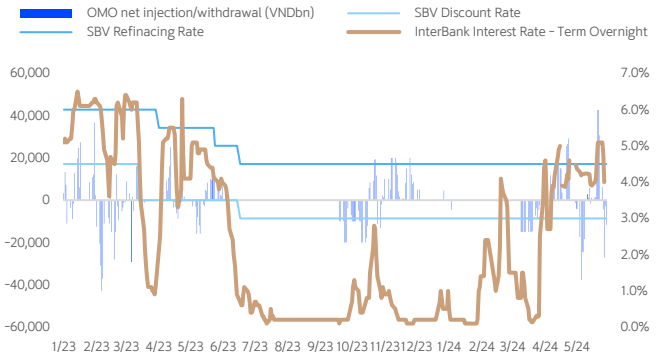


Source: GSO, Shinhan Securities Vietnam

Monetary Market

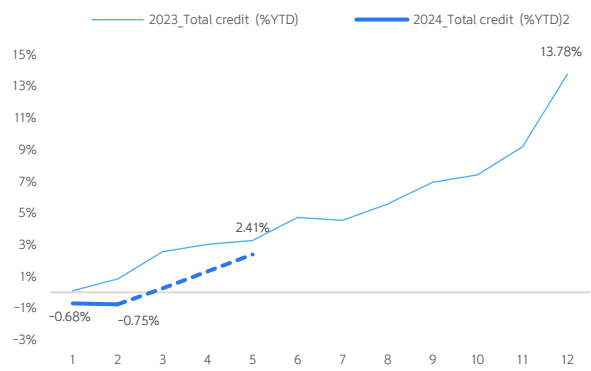
Open market operations were quite vibrant in May 2024 with a net withdrawal of VND 58 trillion and overnight interbank interest rates skyrocketed to over 5% (from May 23-27) before decreasing to 4% by the end of the month. Credit demand has increased again in recent two months after escaping negative growth in March 2024. Until end of May 2024, estimated credit growth is about 2.41% YTD, still quite far from the year target of 15% and SBV has just issued a telegram asking credit institutions to reduce lending interest rates, promoting credit growth and striving to reach 5-6% by the end of Q2 2024.

Open market operation (OMO)



Sources: SBV, FiinPro, Shinhan Securities Vietnam

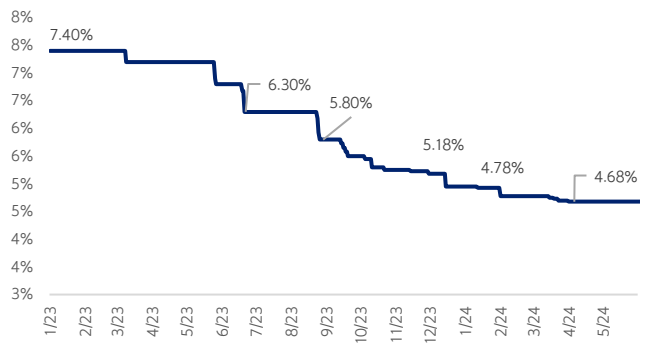
Money supply and credit



Sources: SBV, FiinPro, Shinhan Securities Vietnam

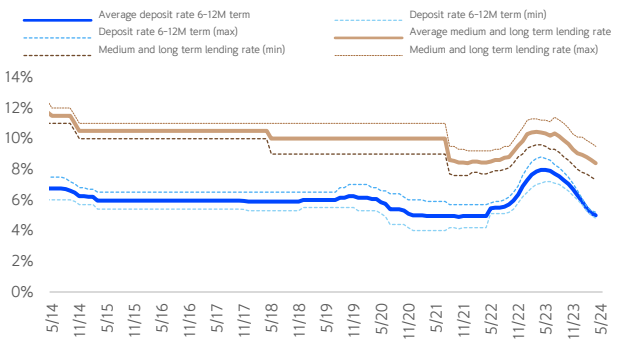
State-owned commercial banks still maintain the 12M term deposit interest rate unchanged, on average at 4.68% p.a while most private commercial banks have simultaneously increased deposit interest rates in May 2024.

Deposit rate 12M term at SCBs



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

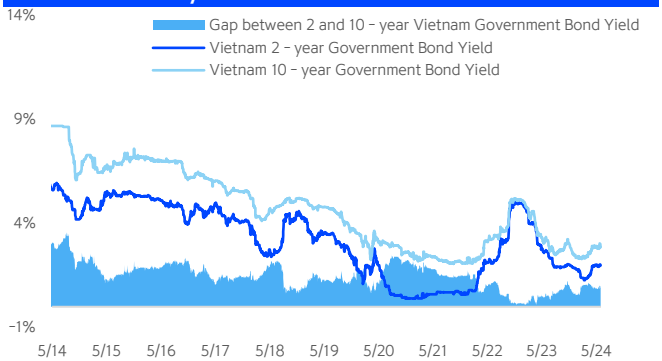
Deposit rate and lending rate



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

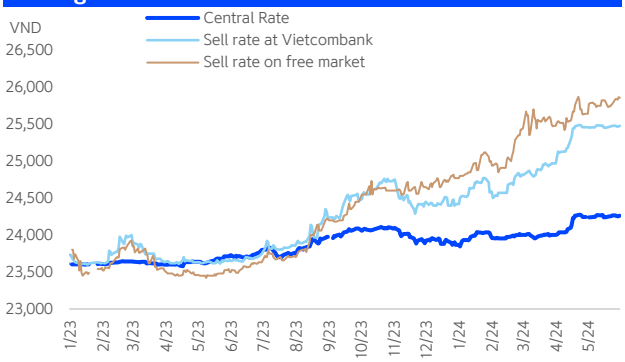
After a series of interventions on open market as well as selling foreign currency reserves, the exchange rate has shown signs of stabilization since mid-April 2024. By the end of May 2024, VND on free market depreciated by 4.4%YTD compared to the USD. Government bond yields also increased at all terms from mid-March 2024, reaching nearly 3% for 10-year term, a difference of -1.63% compared to US government bond yields with the same term.

Government bond yield



Sources: SBV, FiinPro, Shinhan Securities Vietnam

Exchange rate USD/VND



Sources: SBV, FiinPro, 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.