VIETNAM MACRO UPDATE

September 24, 2024

Shinhan Securities

Production continued the growth. Inflation eased.

Manufacturing remained solid

Driven by the strong export and import growth, economic activity remained strong in August 2024. Export and import value increased by 14.5% YoY and 12.4% YoY respectively. The trade surplus reached USD 4.5bn in August, which is the highest monthly trade surplus since 2020. The manufacturing sector showed a strong growth with the increase of 10.6% YoY thanks to the strong trade growth.

Production continued the recovery momentum in August. Remarkably, the overall IIP grew by 9.5% YoY compared to a 3.5% increase in August 2023. For the first eight months of 2024, the overall IIP increased by 8.6% compared to a decline of 0.5% YoY for the same period of 2023. Solid new orders, from S&P Global PMI report, suggested that production and exports would continue the growth from June 2024.

Inflation eased

In August, RON95 petrol and diesel price decreased by 7.8% MoM and 8.5% MoM respectively. Thanks to the decline in petrol price, the inflation moderated. The headline inflation for the first eight months reached the SBV's target range at 4.04%. Excluding food, electricity, education services, healthcare services and gasoline costs, core inflation increased by only 2.53% YoY. The core inflation continued the decline momentum since February 2024.

Appreciation of the Vietnamese Dong continued

The Vietnamese Dong appreciated 1.5% against the US Dollar in August 2024, which was the second consecutive month of appreciation. The gain in August was also the highest gain in the last 20 months. The appreciation could provide the room for SBV to maintain its monetary easing policy to support the economic growth.

Total retail sales growth slowed down

Due to a fading low base effect, the total retail sales grew at a slower pace, rising 7.9% YoY in August and 8.5% for the first eight months of 2024. In detail, retail sales of accommodation and catering services increased by 14.3% YoY, and retail sales of tourism services increased by 26.2% YoY. Although the growth was the slowest rate since February, the recovery of the tourism sector will support the growth of the total retail sales.

Sluggish pace of public investment remained a concern

Public investment only grew by 1.3% YoY in August and 2% YoY for the first eight months of 2024, reaching 47.8% of the annual plan. Two-thirds of the 2024 year passed, but the completion rate was still less than 50%. In August, the Prime Minister urged to accelerate the pace of public investment to meet the target of 95%, aiming to bolster the economic growth.

Macro indicators- 08/2024

Economic indicators	08/24	07/24	06/24	05/24	04/24	03/24	02/24	01/24	12/23	11/23	10/23	09/23	08/23
CPI (YoY)	3.45%	4.36%	4.34%	4.44%	4.42%	3.97%	3.98%	3.37%	3.58%	3.45%	3.59%	3.66%	2.96%
CPI (MoM)	0.00%	0.48%	0.17%	0.05%	0.07%	-0.23%	1.04%	0.31%	0.12%	0.25%	0.08%	1.08%	0.88%
PMI	52.40	54.70	54.70	50.30	50.30	49.90	50.40	50.30	48.90	47.30	49.60	49.70	50.50
IIP (YoY)	9.5%	11.1%	12.4%	10.0%	7.4%	4.8%	-5.9%	19.5%	5.8%	5.0%	4.2%	2.9%	3.5%
IIP (MoM)	2.0%	0.7%	0.7%	3.9%	0.8%	20.0%	-18.0%	-4.4%	0.1%	3.0%	5.5%	0.1%	2.9%
Retail (YoY)	7.9%	9.4%	9.2%	9.5%	9.0%	9.2%	8.5%	8.1%	9.3%	10.1%	7.0%	7.5%	7.6%
Export (USD bn)	37.59	36.24	33.66	32.27	31.10	33.66	24.69	34.53	31.47	31.12	32.25	30.68	32.76
Import (USD bn)	33.06	33.88	30.46	32.72	29.99	30.88	23.30	30.91	29.40	29.58	29.52	28.48	29.32
Balance of trades (USD bn)	4.53	2.36	3.20	-0.45	1.11	2.78	1.38	3.62	2.07	1.54	2.73	2.20	3.44
Acc. Disbursed FDI (USD bn)	14.15	12.55	10.84	8.25	6.28	4.63	2.80	1.48	23.18	20.25	18.00	15.91	13.10
Acc. Registered FDI (USD bn)	20.52	18.00	15.19	11.07	9.27	6.17	4.29	2.36	36.61	28.85	25.76	20.21	18.15
Public Investment (VND trillion)	62.12	57.07	53.80	48.21	43.49	37.88	28.08	32.93	77.35	69.14	65.17	62.10	60.84
Credit growth	7.15%	5.26%	6.00%	3.43%	2.01%	1.42%	-0.75%	-0.68%	13.78%	9.19%	7.41%	6.96%	5.57%
Deposit growth	n.a	n.a	n.a	0.37%	0.37%	-0.53%	-1.60%	-1.49%	11.37%	10.32%	9.95%	9.95%	9.68%
Overnight interbank rate	4.02%	4.60%	4.50%	4.00%	4.60%	2.51%	1.46%	1.00%	0.97%	0.14%	0.81%	0.19%	0.16%
Average deposit rate at SOCBs	4.68%	4.68%	4.68%	4.68%	4.68%	4.70%	4.78%	4.93%	4.95%	5.18%	5.25%	5.50%	5.80%
10Y Government bond yield	2.71%	2.75%	2.75%	2.87%	2.85%	2.75%	2.46%	2.42%	2.39%	2.49%	3.07%	2.84%	2.72%
VND/USD exchange rate	24,875	25,630	25,900	25,855	25,640	25,470	25,430	25,000	24,770	24,650	24,600	24,450	24,220

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



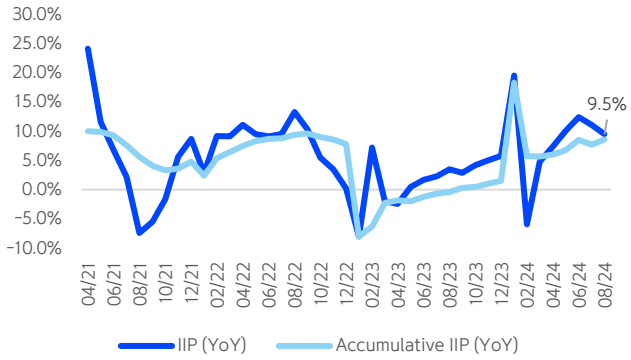
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Production – Consumption

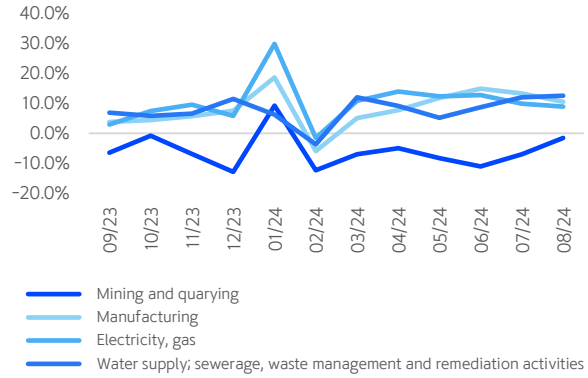
Follow the expansionary in July, the Index of Industrial Production (IIP) in August-2024 continued the growth with an increase of 9.5%YoY. Overall, for 8 months of 2024, the estimated IIP increased by 8.6% compared to the same period last year. In which, the manufacturing sector was soared by 10.6%YoY

Index of Industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

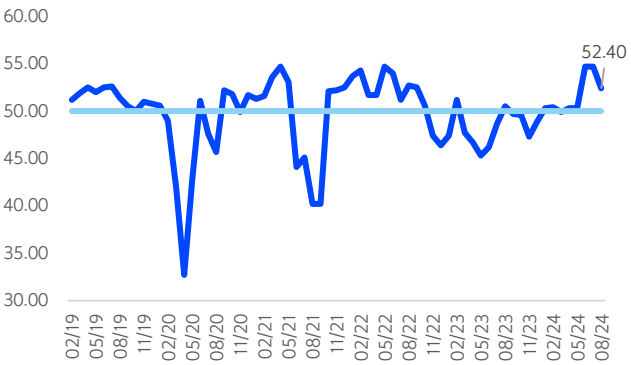
IIP by sub-sectors



Source: GSO, Shinhan Securities Vietnam

Driven by the continued output growth and new orders, the production improve significantly. Although the expansion rates have slightly eased from the high level in June and July (both at 54.7), recording at 52.4 in August; manufacturing activities remain robust. However, employment dropped due to the resignations and the ending of some temporary contracts.

Purchasing managers' index (PMI)



Source: S&P Global,, Shinhan Securities Vietnam

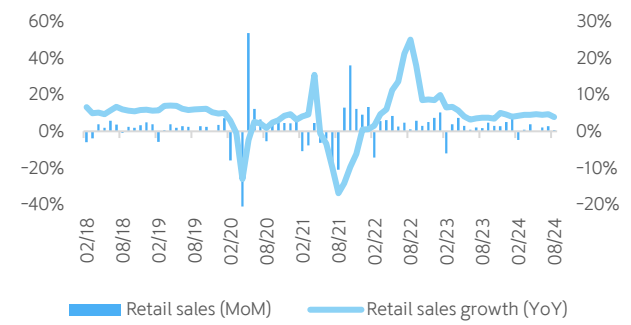
PMI summary

New orders	Continue the growth of June momentum
Production	Increased follow the new orders
Inventories	Decreased to help satisfy order requirements
Purchasing	Firm accelerates purchasing as new orders increase and depleted inventories.
Employment	Drop for the first time in three months
Business confidence	Sentiment is positive but eased to 8 months low.

Source: S&P Global, Shinhan Securities Vietnam

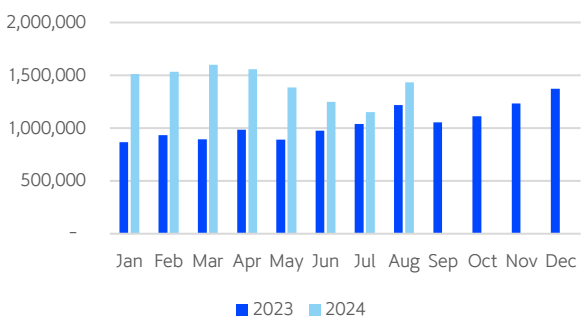
Total retail sales in August estimated to grow by 7.9%YoY, a slight decline compared to the number of 9.4% in July. Retail growth was fueled by tourism activities as the number of international visitors to Vietnam in August is estimated to have increased by 17.7% YoY to 1.43 million. In the first eight months of 2024, international visitors to Vietnam reached nearly 11.4 million, up 45.8% YoY.

Total retail sales growth



Source: GSO, Shinhan Securities Vietnam

Foreign tourist (pax)

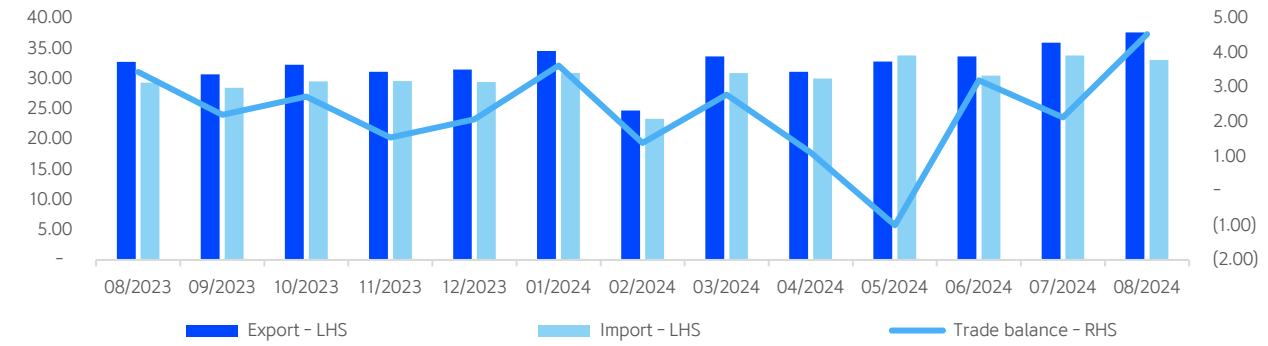


Source: GSO, Shinhan Securities Vietnam

Trading – Investment

In August, import and export grew by 14.5% and 12.4% YoY, reaching USD 37.6bn and USD 33.1bn, respectively. This resulted in a trade surplus of USD 4.5bn, which is the highest since August 2020. For the first eight months of 2024, exports and imports totaled USD 265.1bn (+15.8% YoY) and USD 256bn (+17.7% YoY), leading to a trade surplus of USD 19.1bn. The trade surplus number is still a little behind the number of USD 19.9bn in 8M2023.

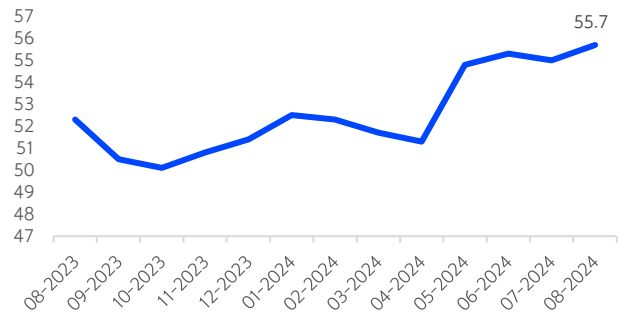
Total trading turnover (USD bn)



Source: GSO, Shinhan Securities Vietnam

Exports were solid thanks to Vietnam's major trading partners such as the US and Europe increasing imports of goods to increase inventories as the economy in these region show largely positive results. All major export categories saw growth in the first eight months of 2023, including PCs and electronic items; phones and spare pars, machinery and equipment, and textiles and garments.

US service PMI



Source: S&P Global, Shinhan Securities Vietnam

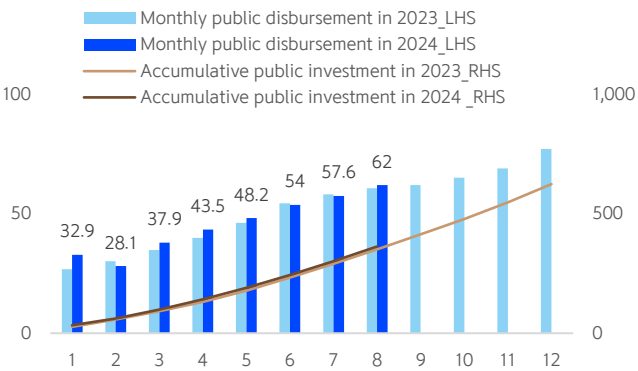
EU GDP growth rate (% - QoQ)



Source: EuroStat, Shinhan Securities Vietnam

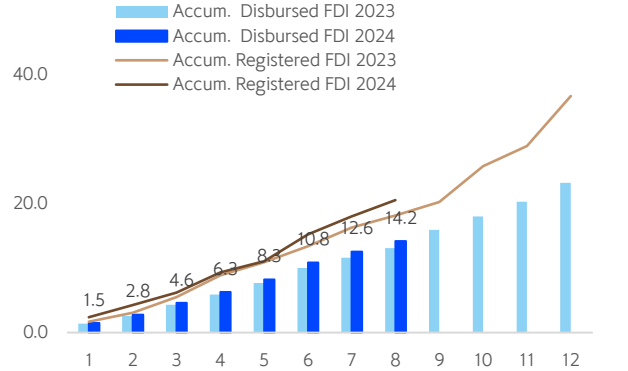
Disbursed investment capital from the State budget in August is estimated at VND 62.1 trillion, increasing by 2.1% over the same period last year. In the first 8 months of 2024, the disbursed investment capital from the State budget is estimated at VND 363.1 trillion, equal to 47.8% of the annual plan and up 2.0% over the same period last year.
In the first 8 months of 2024, registered FDI reached USD 20.5bn, increasing by 44.3% YoY. Disbursed FDI also increased by 38.9% YoY, reaching about USD 18.2bn.

Public investment (VND trillion)



Source: GSO, Shinhan Securities Vietnam

FDI (USD bn)

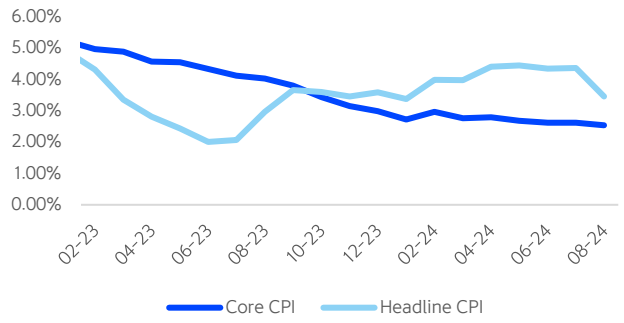


Source: MPI, Shinhan Securities Vietnam

Inflation

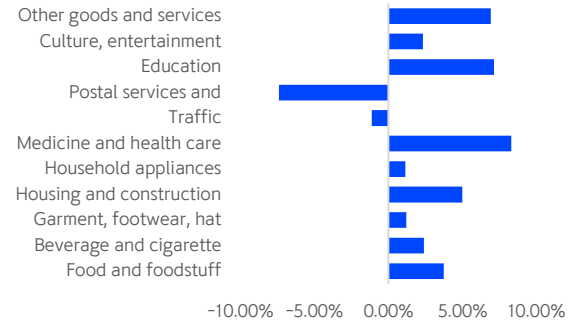
Headline inflation slightly cooled down, recording an increase of 3.74% YoY in August 2024 after four consecutive months recording a number over 4%. Excluding food, electricity, education services, healthcare services and gasoline costs, core inflation increased by only 2.53% YoY. In the first 8 months of 2024, the average CPI increased by 4.04% YoY, core inflation increased by 2.71% compared to the same period in 2023.

Consumer price index (YoY)



Source: GSO, Shinhan Securities Vietnam

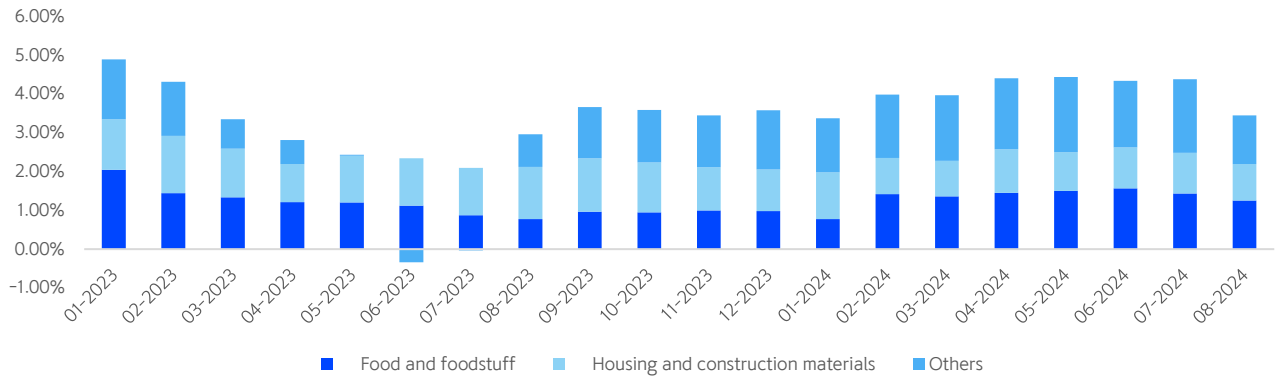
CPI component in August (YoY)



Source: GSO, Shinhan Securities Vietnam

Educational cost which contributed by 0.4 percentage point in CPI will not have any effect on 4Q/2024 thanks to the base effect. In 4Q/2023, some localities have increased tuition fees for preschool and general education institutions, and some public, private and non-public universities and colleges have also increased tuition fees for the 2023-2024 school year to ensure regular expenses.

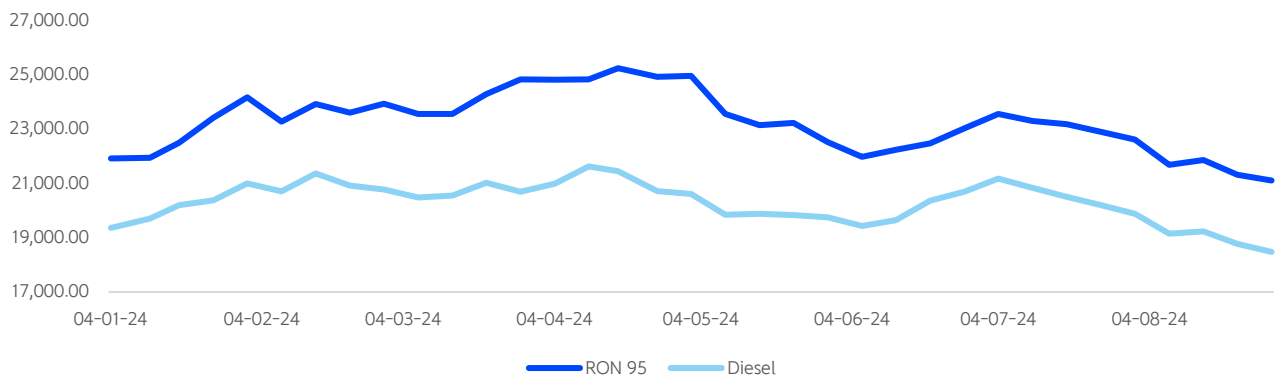
Contribution by components in CPI



Source: GSO, Shinhan Securities Vietnam

In August, domestic petrol prices dropped by 5.8% MoM, resulting in a 1.98% MoM decrease in the transportation basket. The transportation accounted for 9.6% weight of CPI.

Petrol Price (VND/liter)

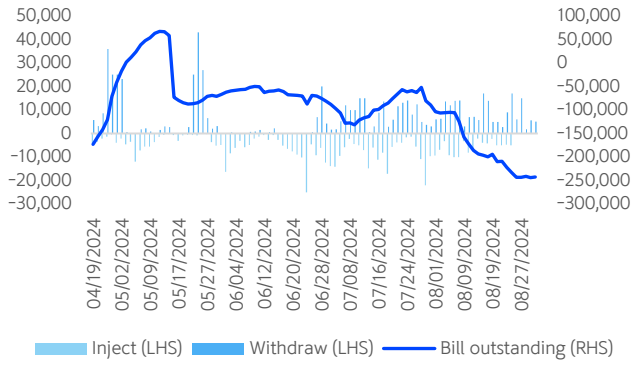


Source: Shinhan Securities Vietnam

Money market

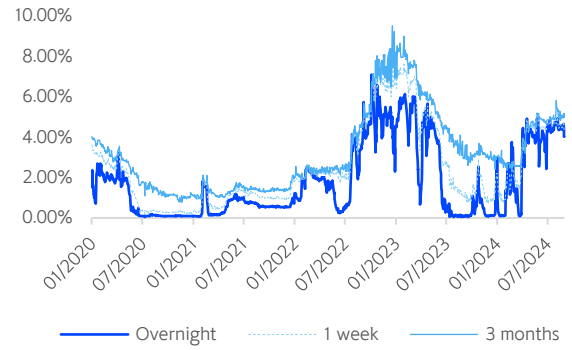
SBV withdrew VND out of the system to cool down the high exchange rate at the end of Q2 2024. When the Dong stabilized in August, SBV gradually decreased interbank rate. Interbank interest rates reached the high level at the beginning of August, then decreased gradually. Overnight rate reached 4.02%, 1W rate reached 4.44% and 3M rate reached 5.09% at month-end; compared to 4.6%, 4.66% and 5.81% at month-start respectively.

Open market operation (VND billion)



Source: SBV, FiinPro, Shinhan Securities Vietnam

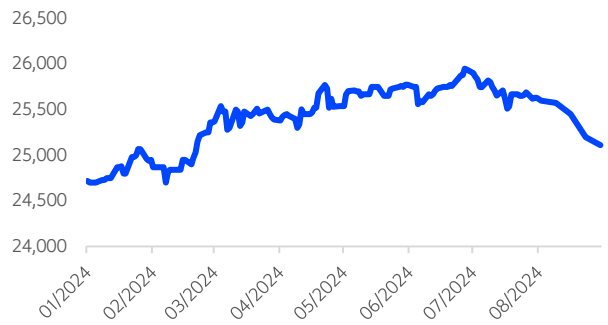
Interbank interest rate



Source: SBV, FiinPro, Shinhan Securities Vietnam

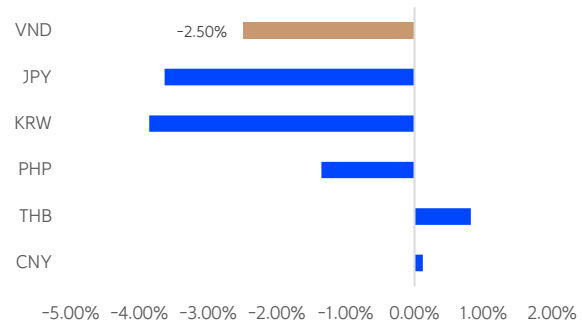
After a period of aggressively USD selling intervention, cash withdrawal by SBV and the expectation of FED cut rate, the exchange rate in the free market has shown signs of cooling down. As of the end of August 2024, the free exchange rate decreased to 24,875 VND per 1 USD, thereby helping the Dong to only depreciate by about 2.5% YTD compared to 3.7% YTD in July 2024.

VND/USD exchange rate on free market



Source: Bloomberg, Shinhan Securities Vietnam

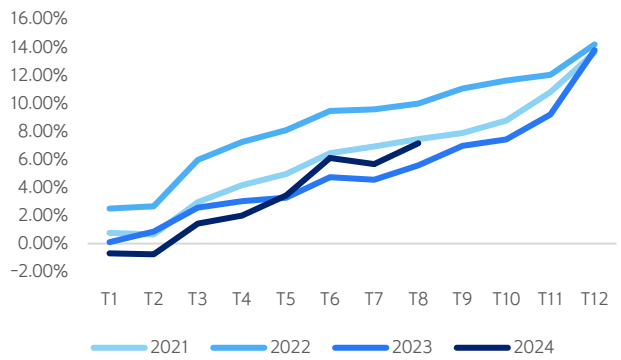
Depreciation against USD in some countries



Source: Bloomberg, Shinhan Securities Vietnam estimate

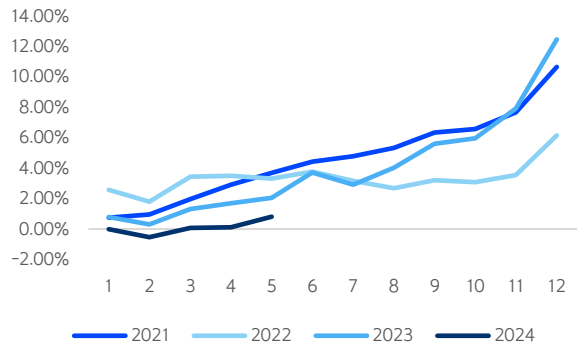
After the a slow growth in July, the credit growth in August went up. August credit growth was 7.15% YTD. The demand from the manufacturing supported the growth.

Credit growth rate



Source: SBV, FiinPro, Shinhan Securities Vietnam

M2 money supply growth (YTD)

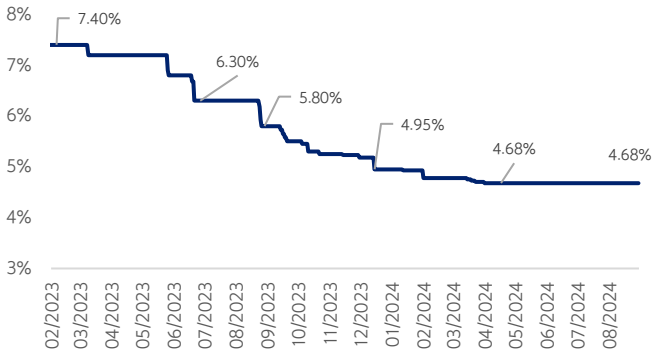


Source: SBV, FiinPro, Shinhan Securities Vietnam

Money market

Average 12M deposit rate of SOCBs remained flat since April at 4.68% while the average lending rate had a decreasing trend. The average lending rate declined from 8.4% in April to 8.1% in July, decreasing 30 bps.

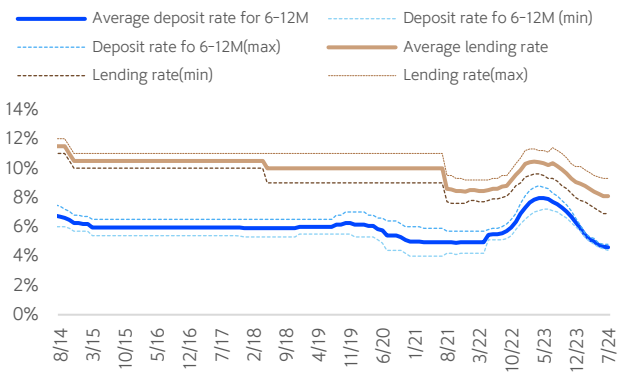
Deposit rate at SOCBs



Source: FiinPro, Shinhan Securities Vietnam

SOCBs: Average 12M deposit rate at Vietcombank, Agribank, BIDV and VietinBank

Lending – deposit rates



Source: SBV, FiinPro, Shinhan Securities Vietnam

Average rate is an average of max and min rates

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