VIETNAM MACRO UPDATE

October 24, 2024

Shinhan Securities

9M24 GDP recorded a positive number. Exchange rate in October increased.

A positive number beat the consensus

GDP growth in Q3 2024 is 7.4% YoY and in 9M24 is 6.82% YoY. Regarding GDP usage in 9M24, final consumption increased by 6.18% YoY, contributing 62.66% to the overall growth rate of the entire economy; accumulated assets increased by 6.68%, contribution 36.68%; export of goods and services increased by 16.94%; imports of goods and services increased by 17.05%, the difference between exports and imports of goods and services contributed 0.66%. The market consensus believed that the number would be lower than the actual number due to the impact of Typhoon Yagi.

The impact of the typhoon was temporary

The export and import activities were hit by Typhoon Yagi. In terms of month over month comparison, the export value of September 2024 decreased by 12.5% and the import value declined by 7.7%. However, in terms of year over year comparison, the growth still maintained. The export value increased by 11.0% YoY and the import value grew by 11.5% YoY.

Vietnam's PMI falls to 47.3 in September from 52.4 in August. Despite a disruption in production, backlogs of work continued to accumulate and manufacturers remained optimistics that the output will increase in the future.

Manufacturing recovery led the growth

Index of industrial production (IIP) in September 2024 recorded a growth rate of 10.8% YoY. In 9M2024, IIP is estimated to increase by 8.6% YoY. The manufacturing sector increased by 9.75%; the electricity, gas sector increased by 11.11% and water supply, waste treatment sector increased by 9.83% YoY. Only mining and quarying sector decreased by 7.01% YoY. We also believe that manufacturing sector was also a driver for credit growth. The credit growth at the end of September was 8.53%.

Despite a slow pace of public investment, the plan for 2024 still keeps the same

Public investment only grew by 3.7% YoY in September and 2% YoY for 9M24, reaching 55.7% of the annual plan. Although there are only 3 months remaining, the Government has been putting a lot of effort to solve the obstacles in the public investment to reach the target of 95% of the annual plan.

Exchange rate stabilized in September but increased significantly again in October

The Vietnamese Dong only depreciated 1.2% against the US Dollar until September 2024. However, the exchange rate rose fast in October. On 23 October 2024, the Vietnamese Dong depreciated more than 4% against the US Dollar. DXY also increased from the stable level 100 at the end of September to the high level of 103 in October. The concerns, over (i) the geopolitical problems in Middle East, (ii) the result of the US presidential election and (iii) slow cutting rate from Fed, are attributable to the increase of US Dollar strength.

Macro indicators- 09/2024

Economic indicators	09/24	08/24	07/24	06/24	05/24	04/24	03/24	02/24	01/24	12/23	11/23	10/23	09/23
CPI (YoY)	2.63%	3.45%	4.36%	4.34%	4.44%	4.42%	3.97%	3.98%	3.37%	3.58%	3.45%	3.59%	3.66%
CPI (MoM)	0.29%	0.00%	0.48%	0.17%	0.05%	0.07%	-0.23%	1.04%	0.31%	0.12%	0.25%	0.08%	1.08%
PMI	47.30	52.40	54.70	54.70	50.30	50.30	49.90	50.40	50.30	48.90	47.30	49.60	49.70
IIP (YoY)	10.8%	8.4%	11.1%	12.4%	10.0%	7.4%	4.8%	-5.9%	19.5%	5.8%	5.0%	4.2%	2.9%
IIP (MoM)	-0.2%	2.0%	0.7%	0.7%	3.9%	0.8%	20.0%	-18.0%	-4.4%	0.1%	3.0%	5.5%	0.1%
Retail (YoY)	7.6%	7.9%	9.4%	9.2%	9.5%	9.0%	9.2%	8.5%	8.1%	9.3%	10.1%	7.0%	7.5%
Export (USD bn)	34.05	38.93	36.24	33.66	32.27	31.10	33.66	24.69	34.53	31.47	31.12	32.25	30.68
Import (USD bn)	31.76	34.40	33.88	30.46	32.72	29.99	30.88	23.30	30.91	29.40	29.58	29.52	28.48
Balance of trades (USD bn)	2.29	4.52	2.36	3.20	-0.45	1.11	2.78	1.38	3.62	2.07	1.54	2.73	2.20
Acc. Disbursed FDI (USD bn)	17.34	14.15	12.55	10.84	8.25	6.28	4.63	2.80	1.48	23.18	20.25	18.00	15.91
Acc. Registered FDI (USD bn)	24.78	20.52	18.00	15.19	11.07	9.27	6.17	4.29	2.36	36.61	28.85	25.76	20.21
Public Investment (VND trillion)	64.37	62.28	57.07	53.80	48.21	43.49	37.88	28.08	32.93	77.35	69.14	65.17	62.10
Credit growth	8.53%	6.63%	5.93%	6.10%	3.43%	2.01%	1.42%	-0.75%	-0.68%	13.78%	9.19%	7.41%	6.96%
Deposit growth	n.a	n.a	4.68%	4.35%	2.80%	2.80%	2.20%	1.60%	-0.53%	11.37%	10.32%	9.95%	9.95%
Overnight interbank rate	4.44%	4.02%	4.60%	4.50%	4.00%	4.60%	2.51%	1.46%	1.00%	0.97%	0.14%	0.81%	0.19%
Average deposit rate at SOCBs	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.70%	4.78%	4.93%	4.95%	5.18%	5.25%	5.50%
10Y Government bond yield	2.66%	2.71%	2.75%	2.75%	2.87%	2.85%	2.75%	2.46%	2.42%	2.39%	2.49%	3.07%	2.84%
VND/USD exchange rate	24,568	24,875	25,630	25,900	25,855	25,640	25,470	25,430	25,000	24,770	24,650	24,600	24,450

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



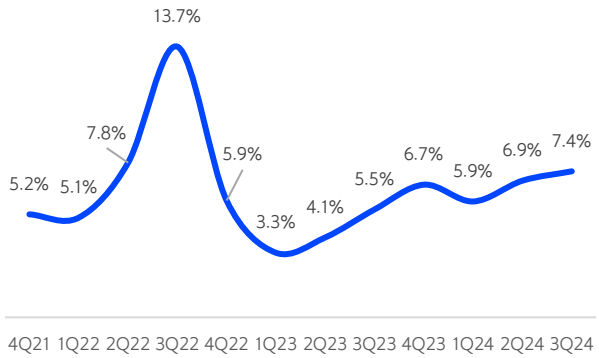
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Economic growth – Industrial Production

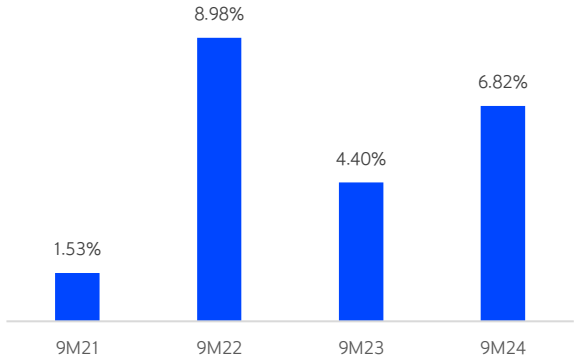
GDP growth in Q3 2024 is 7.4% YoY and 6.82% YoY in 9M2024. Regarding GDP usage in 9M2024, final consumption increased by 6.18% over the same period in 2023, contributing 62.66% to the overall growth rate of the entire economy; accumulated assets increased 6.68%, contribution 36.68%; export of goods and services increased by 16.94%; imports of goods and services increased by 17.05%, the difference between exports and imports of goods and services contributed 0.66%.

GDP growth rate by quarter (YoY)



Source: GSO, Shinhan Securities Vietnam

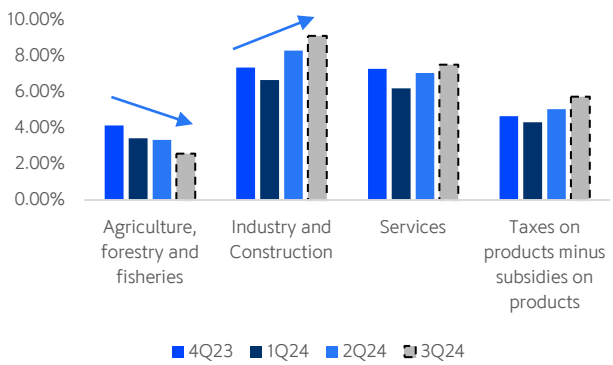
GDP growth rate in 9M of the year



Source: GSO, Shinhan Securities Vietnam

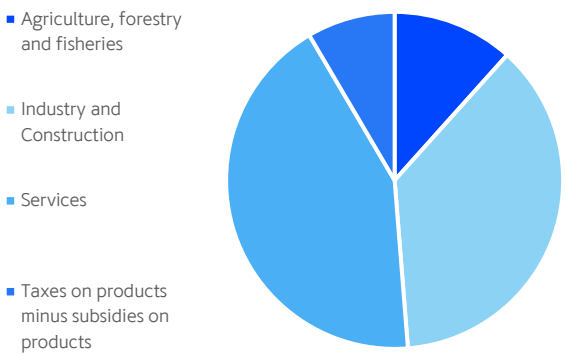
All sector maintained the growth momentum in 2024, especially industry and construction sector. The sector took the lead in Q3 2024 with a growth of 9.11% YoY, contributing 48.88% of the total growth.
Except agriculture, forestry and fisheries sector increased slowly, due to the impact of Typhoon Yagi, only growing by 2.58% YoY. It was slower than Q2 number as 3.34% YoY.

GDP growth by sector (YoY)



Source: GSO, Shinhan Securities Vietnam

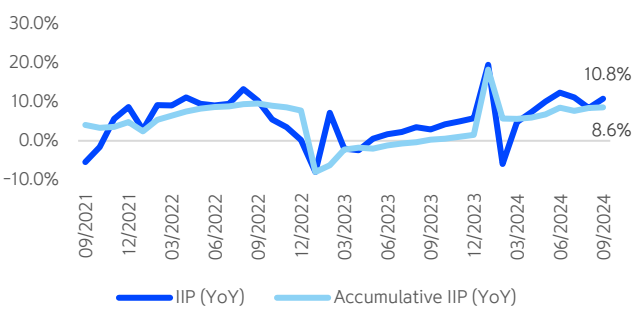
GDP contribution by sector in 9M2024



Source: GSO, Shinhan Securities Vietnam

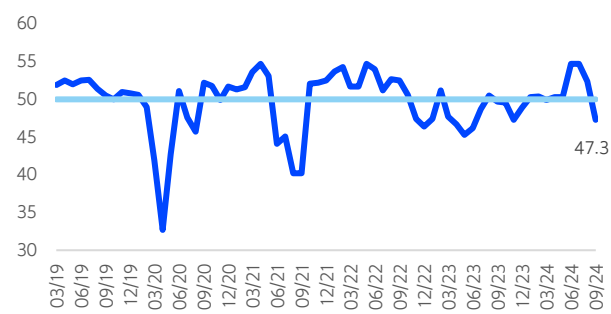
Index of industrial production (IIP) in September 2024 recorded a growth rate of 10.8% YoY. In 9M2024, IIP is estimated to increase by 8.6% YoY. The manufacturing sector grew by 9.75%; the electricity, gas sector grew by 11.11% and water supply, waste treatment sector grew by 9.83% YoY. However, Vietnam's PMI fell to 47.3 in September 2024 due to the severe impact of Typhoon Yagi. The disruption caused by the typhoon was temporary, so we believe that October will see a sharp increase in the PMI index.

Index of Industrial Production (IIP)



Source: GSO, Shinhan Securities Vietnam

Purchasing Managers' Index (PMI)

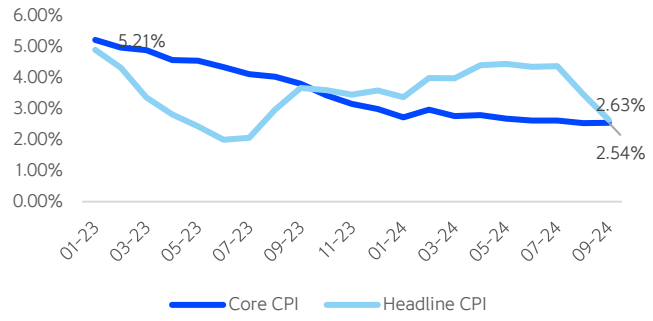


Source: GSO, Shinhan Securities Vietnam

Inflation

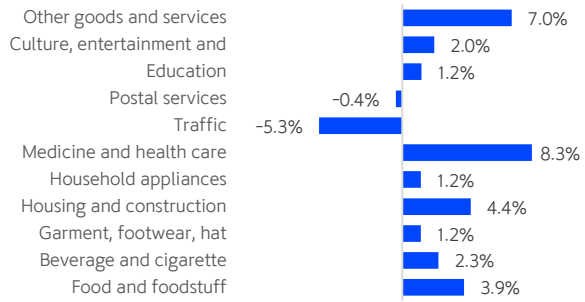
In September 2024, the headline CPI increased by 2.63% YoY. After excluding food and foodstuff, energy and such items managed by the state as healthcare and education; core inflation increased by 2.54% YoY. The price index of medicine and health care increased by 8.3%, because of the adjustments in the medical service prices following Circular No.22/2023/TT-BHYT.

Consumer price index (YoY)



Source: GSO, Shinhan Securities Vietnam

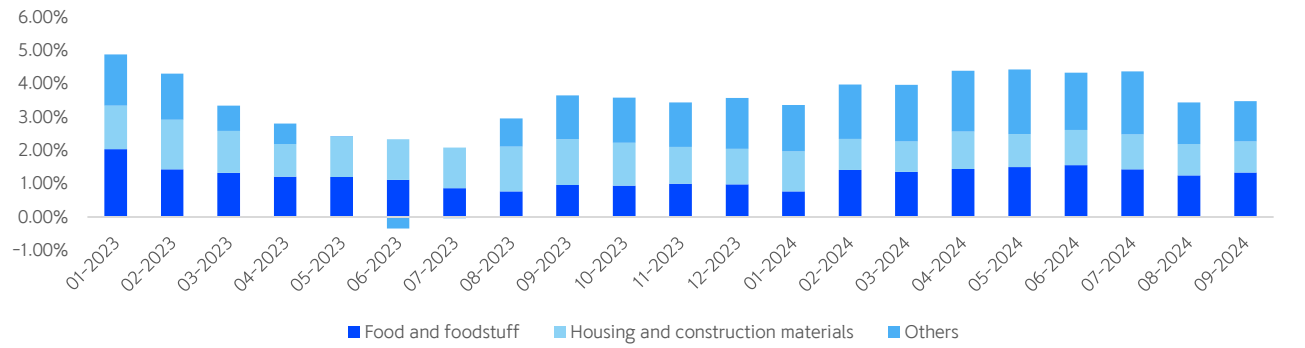
Headline CPI components in September (YoY)



Source: GSO, Shinhan Securities Vietnam

Foodstuff price and housing & construction price increase were contributed up to 50% of CPI incremental over a year. Besides the climb of some construction material like quarry, sand in construction, the house rental price increased in September were the main reason. The rental price increased in some provinces when the new school semester began in September.

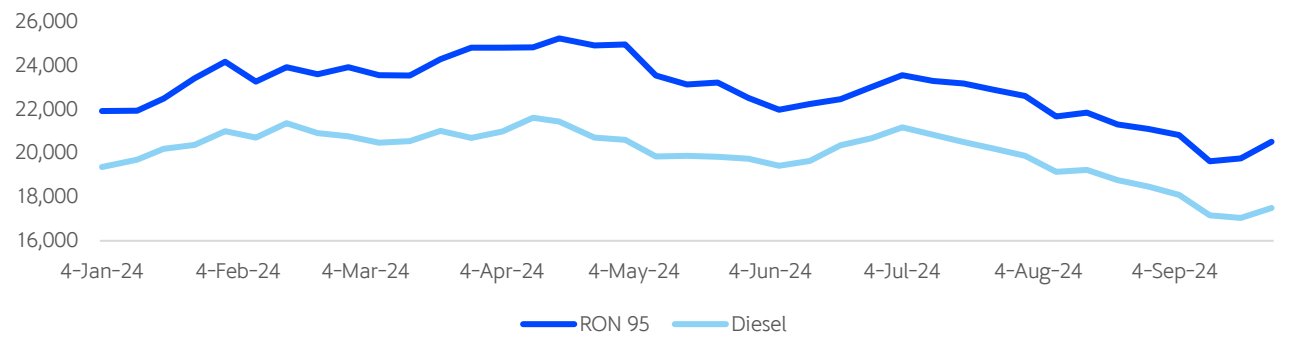
CPI contribution by components (YoY)



Source: GSO, Shinhan Securities Vietnam

The decrease in the transportation basket in CPI was attributable to the decline in the petrol price. The RON 95 petrol price continued the declining trend, from VND 21,100 per liter at the end of August to the bottom of VND 17,040 per liter in September. The RON 95 petrol price closed at VND 20,510 (-3% MoM) at the end of September and the diesel price closed at VND 17,500 (-5% MoM).

Petrol Price (VND/liter)



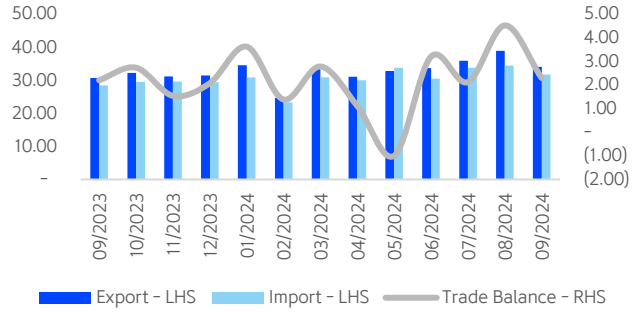
Source: Shinhan Securities Vietnam

Trading– Retails – Investment

Although Typhoon Yagi disrupted import and export activities in September, the growth momentum in 2024 still maintained. In September 2024, the trade balance was USD 2.99bn. The export turnover reached USD 34.05bn (+10.7% YoY, -12.5% MoM). The import turnover records an increase of 11.1% YoY in September, reaching a value of USD 31.76bn (-7.7% MoM).

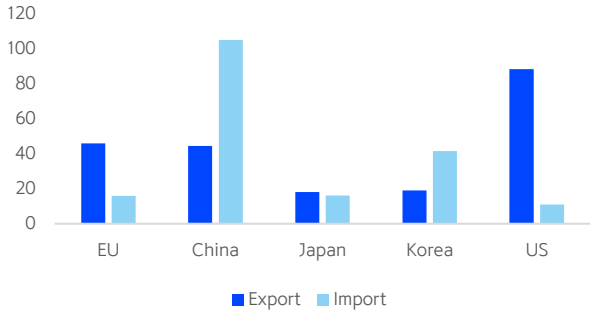
In 9M2024, the export of goods turnover reaches USD 299.6bn, increasing by 12.8% YoY and the import of goods turnover reaches USD 278.8bn, increasing by 12.9% YoY.

Total trading turnover (USD bn)



Source: GSO, Shinhan Securities Vietnam

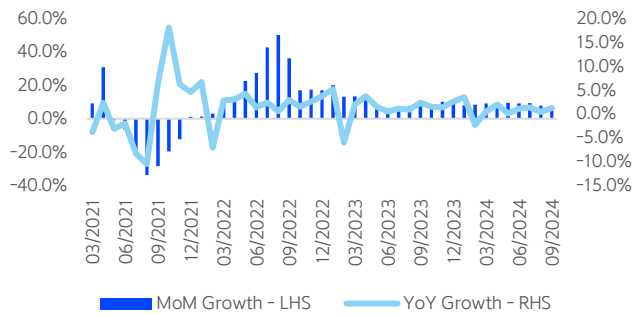
Vietnam major trading partners (Million USD)



Source: Fiinpro, Shinhan Securities Vietnam

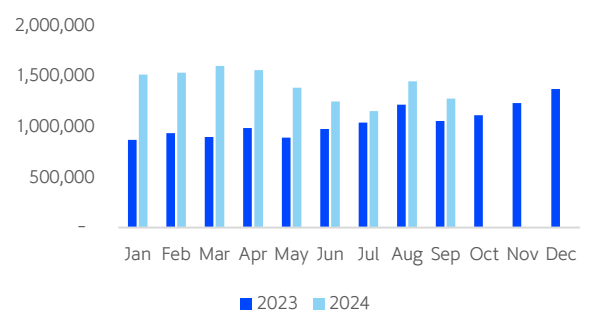
In 9M2024, total retail sales of goods and consumer services increased by 8.8%. The recovery of the tourism sector continued to support the retail sales. The number of foreign tourist coming to Vietnam in September increased by 20.9% YoY. Accumulated number of foreign tourists in 9M2024 increased by 43% YoY.

Retail sales growth



Source: GSO, Shinhan Securities Vietnam

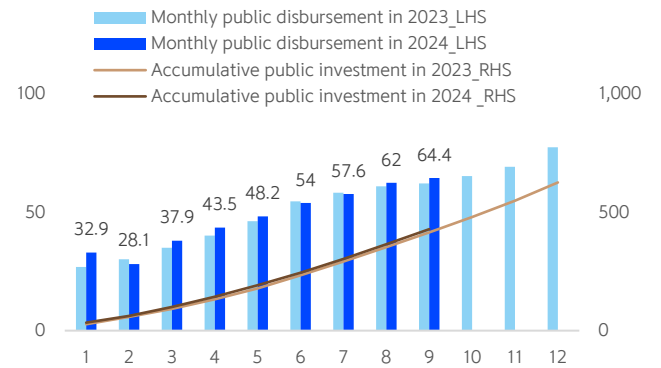
Foreign tourist (pax)



Source: GSO, Shinhan Securities Vietnam

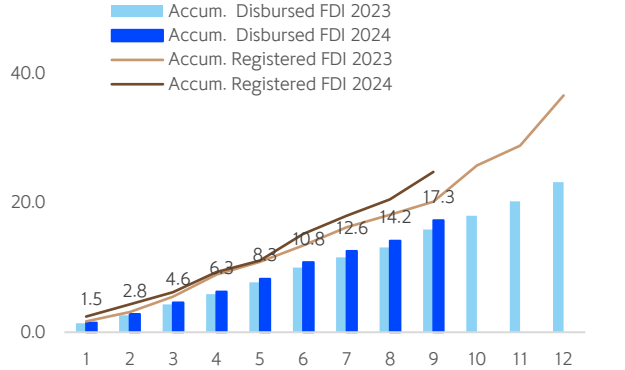
Disbursed investment capital from the State budget in September is estimated at VND 64.4 trillion. In 9M2024, the disbursed investment capital from the State budget is estimated at VND 428.1 trillion, equal to 55.7% of the annual plan and increased by 2.0% YoY.
In the 9M2024, registered FDI reached USD 24.8bn, increasing by 22.8% YoY. Disbursed FDI also increased by 8.8% YoY, reaching about USD 17.3bn.

Public investment (VND trillion)



Source: GSO, Shinhan Securities Vietnam

FDI (USD bn)

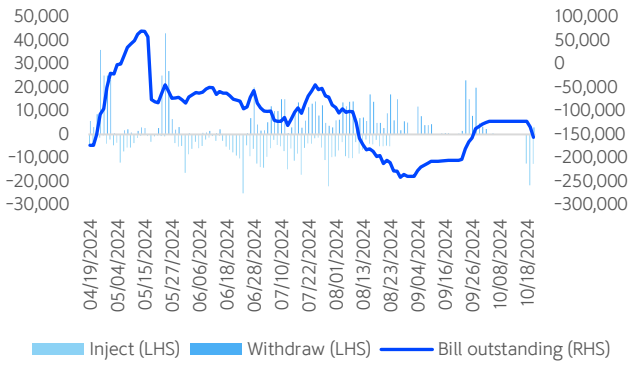


Source: Fiinpro, Shinhan Securities Vietnam

Money market

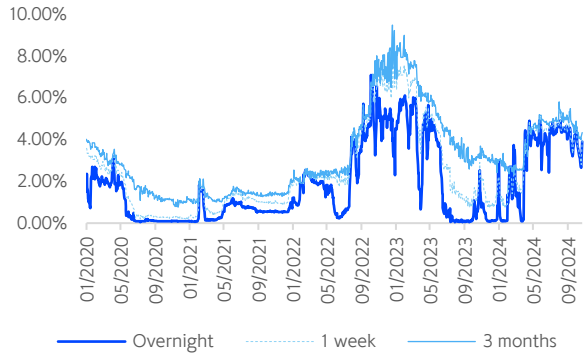
SBV withdrew VND out of the system to cool down the high exchange rate at the end of Q2 2024. When the Dong stabilized in Q3 2024, SBV gradually decreased interbank rate. However, when the exchange rate increased again, SBV began withdrawing VND out of system again in October.

Open Market Operation (VND trillion)



Source: SBV, FiinPro, Shinhan Securities Vietnam

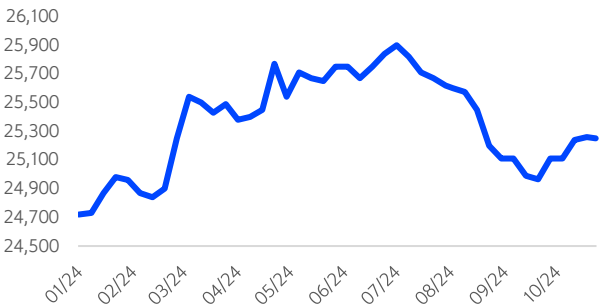
Interbank interest rate



Source: SBV, FiinPro, Shinhan Securities Vietnam

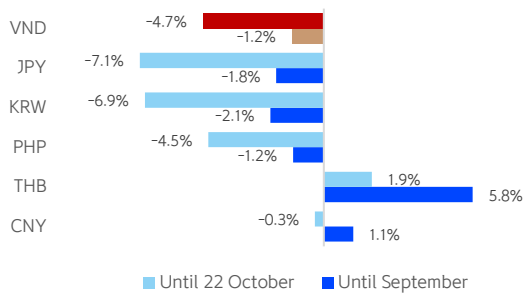
After a period of aggressively USD selling intervention, cash withdrawal by SBV and FED cut rate, the exchange rate in the free market has shown signs of cooling down and stabilized in September. On 18 September 2024, Fed announced a 50bps rate cut, to 4.75% - 5%, marking the first rate cut since 2022. After Fed's decision to cut interest rate, China and ECB also begun cutting its interest rates.
However, the exchange rate rose fast in October. On 23 October 2024, the Vietnamese Dong depreciated more than 4% against the US Dollar

VND/USD exchange rate



Source: Fiinpro, Shinhan Securities Vietnam

YTD depreciation/ appreciation rate vs USD in September



Source: Bloomberg, Shinhan Securities Vietnam estimate

The DXY began stabilized in September but quickly increased again in October. The concerns, over (i) the geopolitical problems in Middle East, (ii) the result of the US presidential election and (iii) slow cutting rate from Fed, are attributable to the increase of US Dollar strength. Some macro indicators of US economy could slow the pace of Fed's rate cut.

DXY index

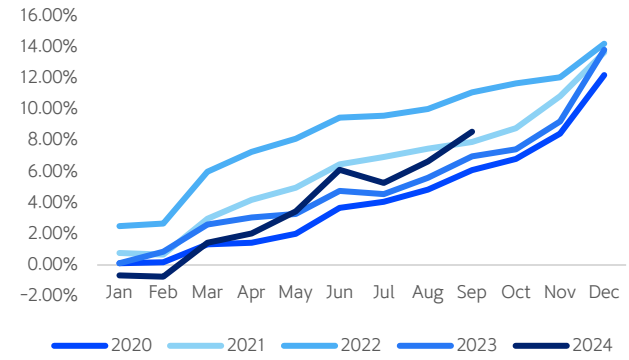


Source: Bloomberg, Shinhan Securities Vietnam

Money market

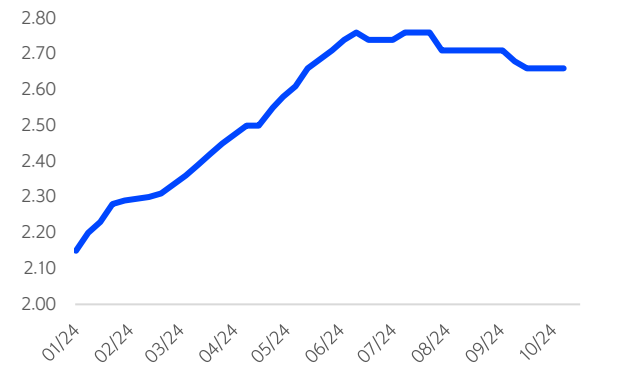
September credit growth was 8.53% YTD, a remarkable increase from 6.63% in August. SBV believed that target credit growth of 15% in 2024 would be possible.
The credit demand from the manufacturing was a driver for the credit growth. Moreover, we believe that the recovery of the real estate sector would support the credit growth in Q4.

Credit growth rate (YTD)



Source: SBV, FiinPro, Shinhan Securities Vietnam

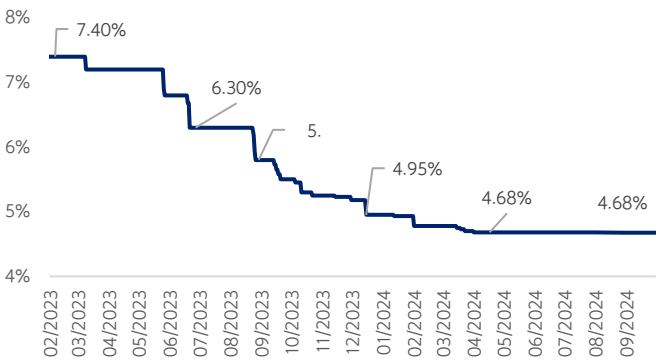
Vietnam 10Y government bond (%)



Source: Bloomberg, Shinhan Securities Vietnam

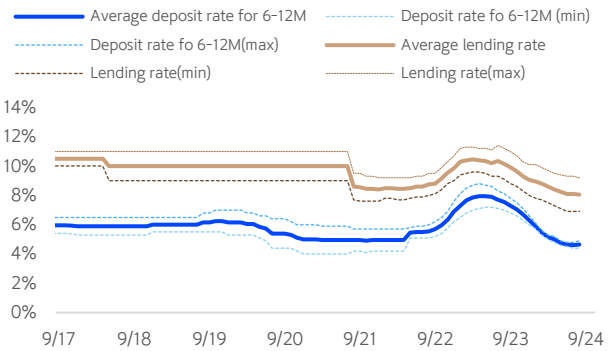
Average 12M deposit rate of SOCBs remained flat since April at 4.68% while the average lending rate had a decreasing trend. The average lending rate declined from 8.4% in April to 8.05% in August, decreasing 35 bps. If Fed continued cutting rate, the lending rate may decrease in Q4 2024.

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, Shinhan Securities Vietnam
Average rate is a median of max and min rates

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