# VIETNAM MACRO UPDATE

## November 19, 2024

Shinhan Securities

## Growth but slow. Exchange rate in the spotlight topic.

### Production growth continued but slower

The high double-digit growth in June and July, at 12.4% YoY and 11.1% YoY respectively, made the belief that the next expansionary production phase would come again after a challenging 2-year period (2022-2023). However, the growth rate in October slowed down. After July, the growth only reached a single digit growth in the next 3 months. The IIP growth of October was 7.0%. Manufacturing still played an important role in the overall growth contribution. The manufacturing sector grew by 8.8% YoY in October, the highest growth compared to other sectors like mining & quarrying (-10.4% YoY); electricity & gas (+6.0% YoY); water supply; sewerage, waste management and remediation activities (+6.9% YoY).

### Trading growth in October was slower than expected

In October, export and import grew by 10.1% YoY and 13.6%, reaching USD 35.6bn and USD 33.6bn, respectively. Export and import values increased by 3.4% MoM and 6.3% MoM, which were lower than expected. The October growth was expected to be higher because of the recovery after Yagi Typhoon causing disruption on manufacturing in September. In October, some companies still faced disruption because of the following storms and associated flooding after Typhoon Yagi.

### Inflation ticked up slightly

Headline inflation increased by 2.89% YoY and 0.33% MoM. Headline inflation increased by 26bps compared to September. The slight increase in MoM was attributable to the increase of food price (+0.55% MoM) due to September typhoons and the increase of the traffic (+0.66% MoM) due to the increase of the petrol price (+17.1% MoM).

### Public investment accelerated

In 10M2024, the disbursed investment capital from the State budget is estimated at VND 495.9 trillion, equivalent to 64.3% of the annual plan, increasing by 1.8% YoY and 7.0% MoM. The public investment is expected to continue increasing in the last two months to meet the goal of 95% of the annual plan.

### Exchange rate increased sharply during the month

Bets on Trump's victory have caused the DXY index to increase sharply. Investors who believed in Trump trades made USD appreciate against other currencies.

Furthermore, a number of domestic events happened in October causing the VND/USD exchange rate to increase sharply. The sharp increase in DXY and the interbank interest rates falling below 3% in October widened the USD – VND interest rate. Also in October, the domestic companies and State Treasury increased their USD buying due to the seasonal period. These events occurred simultaneously, which caused the exchange rate to increase dramatically, increasing by 2.9% within 1 month.

### Macro indicators- 10/2024

| Economic indicators | 10/24 | 09/24 | 08/24 | 07/24 | 06/24 | 05/24 | 04/24 | 03/24 | 02/24 | 01/24 | 12/23 | 11/23 | 10/23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CPI (YoY) | 2.89% | 2.63% | 3.45% | 4.36% | 4.34% | 4.44% | 4.42% | 3.97% | 3.98% | 3.37% | 3.58% | 3.45% | 3.59% |
| CPI (MoM) | 0.33% | 0.29% | 0.00% | 0.48% | 0.17% | 0.05% | 0.07% | -0.23% | 1.04% | 0.31% | 0.12% | 0.25% | 0.08% |
| PMI | 51.20 | 47.30 | 52.40 | 54.70 | 54.70 | 50.30 | 50.30 | 49.90 | 50.40 | 50.30 | 48.90 | 47.30 | 49.60 |
| IIP (YoY) | 7.0% | 8.3% | 8.4% | 11.1% | 12.4% | 10.0% | 7.4% | 4.8% | -5.9% | 19.5% | 5.8% | 5.0% | 4.2% |
| IIP (MoM) | 4.0% | -0.2% | 2.0% | 0.7% | 0.7% | 3.9% | 0.8% | 20.0% | -18.0% | -4.4% | 0.1% | 3.0% | 5.5% |
| Retail (YoY) | 7.1% | 7.6% | 7.9% | 9.4% | 9.2% | 9.5% | 9.0% | 9.2% | 8.5% | 8.1% | 9.3% | 10.1% | 7.0% |
| Export (USD bn) | 35.59 | 34.42 | 38.93 | 36.24 | 33.66 | 32.27 | 31.10 | 33.66 | 24.69 | 34.53 | 31.47 | 31.12 | 32.25 |
| Import (USD bn) | 33.60 | 31.60 | 34.40 | 33.88 | 30.46 | 32.72 | 29.99 | 30.88 | 23.30 | 30.91 | 29.40 | 29.58 | 29.52 |
| Balance of trades (USD bn) | 1.99 | 2.83 | 4.52 | 2.36 | 3.20 | -0.45 | 1.11 | 2.78 | 1.38 | 3.62 | 2.07 | 1.54 | 2.73 |
| Acc. Disbursed FDI (USD bn) | 19.58 | 17.34 | 14.15 | 12.55 | 10.84 | 8.25 | 6.28 | 4.63 | 2.80 | 1.48 | 23.18 | 20.25 | 18.00 |
| Acc. Registered FDI (USD bn) | 27.26 | 24.78 | 20.52 | 18.00 | 15.19 | 11.07 | 9.27 | 6.17 | 4.29 | 2.36 | 36.61 | 28.85 | 25.76 |
| Public Investment (VND trillion) | 68.36 | 63.87 | 62.28 | 57.07 | 53.80 | 48.21 | 43.49 | 37.88 | 28.08 | 32.93 | 77.35 | 69.14 | 65.17 |
| Credit growth | 10.08% | 8.53% | 6.63% | 5.26% | 6.00% | 3.43% | 2.01% | 1.42% | -0.75% | -0.68% | 13.78% | 9.19% | 7.41% |
| Deposit growth | n.a | n.a | 4.12% | 2.52% | 3.21% | 0.82% | 0.13% | 0.09% | -0.53% | 0.00% | 12.46% | 7.92% | 5.96% |
| Overnight interbank rate | 4.70% | 4.44% | 4.02% | 4.60% | 4.50% | 4.00% | 4.60% | 2.51% | 1.46% | 1.00% | 0.97% | 0.14% | 0.81% |
| Average deposit rate at SOCBs | 4.68% | 4.68% | 4.68% | 4.68% | 4.68% | 4.68% | 4.68% | 4.70% | 4.78% | 4.93% | 4.95% | 5.18% | 5.25% |
| 10Y Government bond yield | 2.66% | 2.66% | 2.71% | 2.75% | 2.75% | 2.87% | 2.85% | 2.75% | 2.46% | 2.42% | 2.39% | 2.49% | 3.07% |
| VND/USD exchange rate | 25,280 | 24,568 | 24,875 | 25,630 | 25,900 | 25,855 | 25,640 | 25,470 | 25,430 | 25,000 | 24,770 | 24,650 | 24,600 |

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



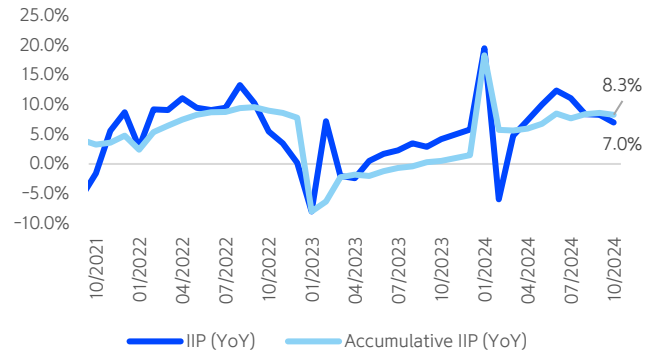

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## Production – Consumption

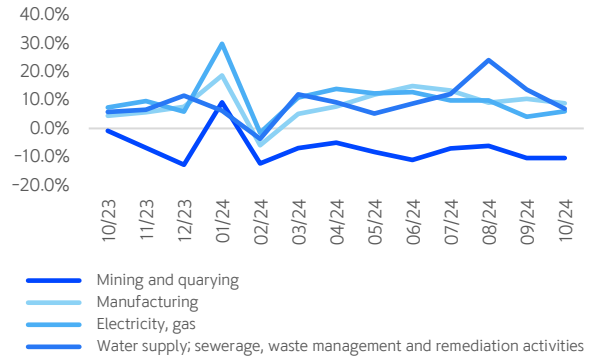
In October, the Index of Industrial Production (IIP) growth slowed down. October IIP increased by 7.0% YoY, lower than the number of 8.3% YoY in September. The accumulated IIP for 10 months of 2024 increased by 8.3% YoY. Manufacturing sector played a main role in contributing the growth. The growth of manufacturing sector in October was the highest with number of 8.8% YoY. Mining & quarrying; electricity, gas; and water supply & others had the growth of -10.4% YoY, 6% YoY and 6.9% YoY respectively.

### Index of Industrial production (IIP)




Source: GSO, Shinhan Securities Vietnam

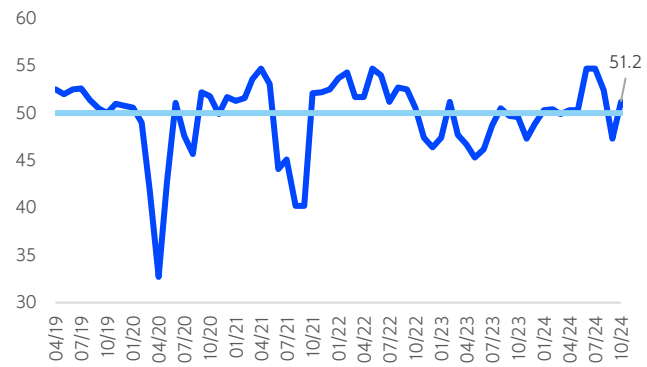
### IIP by sub-sectors




Source: GSO, Shinhan Securities Vietnam

The improvement in PMI was modest in October, recovering to 51.2 from 47.3 in September. The manufacturing sector recorded renewed increases in both output and new orders. However, some companies still faced disruption because of the following storm and associated flooding after Typhoon Yagi.

### Purchasing managers' index (PMI)




Source: S&P Global,, Shinhan Securities Vietnam

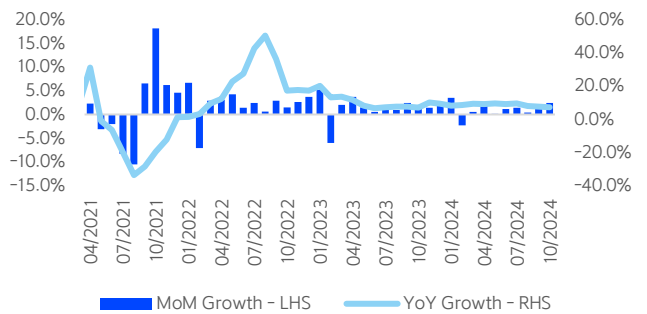
### PMI summary

| | |
|---|---|
| New orders | Increased, but only marginal |
| Production | Some firms still operated below full capacity |
| Inventories | Manufacturers used stocks of finished to fulfill orders. Post-production inventories decreased at the fastest pace in three months. |
| Purchasing | Return to growth amid higher new orders and expected increases in production |
| Employment | Ticked down because of the resignations |
| Business confidence | Dipped to a nine-month low because of the uncertainty around the US Presidential Election. |

Source: S&P Global, Shinhan Securities Vietnam

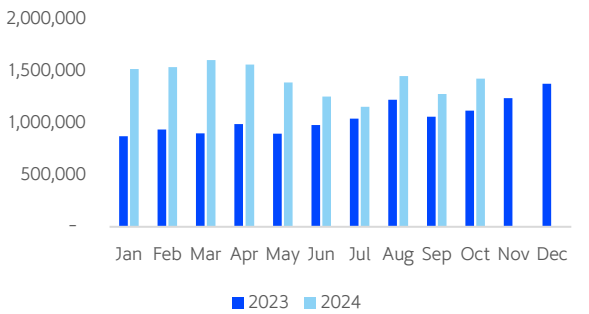
Total retail sales grew by 7.1% YoY in October, a slight decline compared to the number of 7.6% in September. In 10M2024, the total retail sales grew by 8.5% YoY thanks to the increase of the tourism sector. In 10M24, some provinces with attractive destinations for foreigners in Vietnam has a remarkable growth, like Khanh Hoa (+17.7% YoY), Hai Phong (+13.1% YoY), Can Tho (+11.6% YoY)…In 10M2024, international visitors reached nearly 14.1 million, up 41.3% YoY.

### Total retail sales growth




Source: GSO, Shinhan Securities Vietnam

### Foreign tourist (pax)

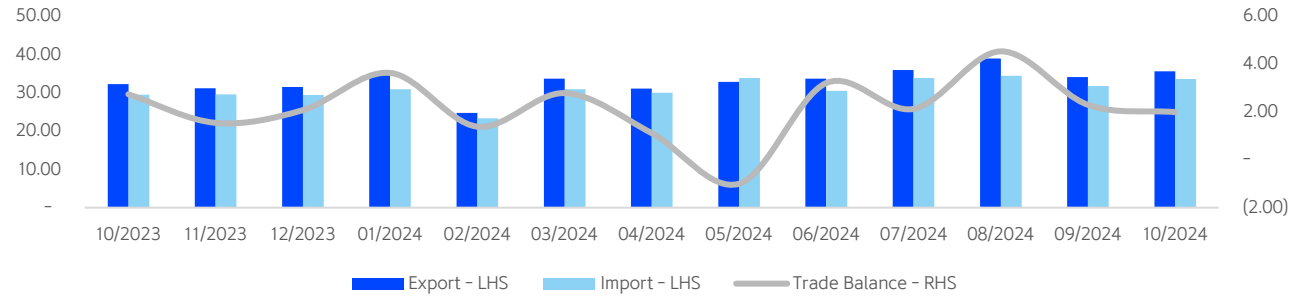



Source: GSO, Shinhan Securities Vietnam

## Trading – Investment

In October, export and import grew by 10.1% YoY and 13.6%, reaching USD 35.6bn and USD 33.6bn, respectively. This resulted in a trade surplus of USD 1.99bn. In 10M2024, exports and imports totaled USD 335.6bn (+14.9% YoY) and USD 312.3bn (+16.8% YoY), leading to a trade surplus of USD 23.3bn. The export value of computers, electronical products & parts contribute the most in the total export value, accounting for ~17% in October and 10M2024. The export value of computers, electronical products & parts increased by 15.5% YoY in October and 26.1% YoY in 10M2024. The import value of computers, electronical products and parts also contributed the largest weight in the total import value, accounting for ~28% of the total and increasing by 11.1% YoY in October and 23.7% YoY in 10M2024.

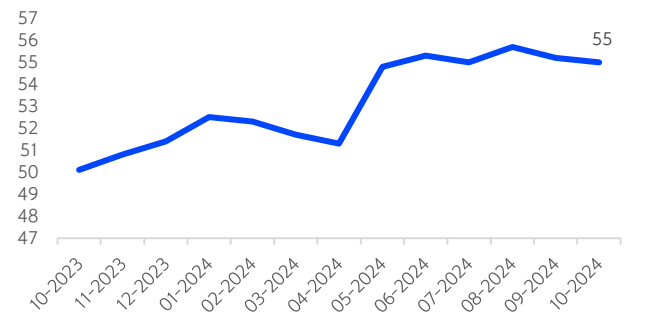
**Total trading turnover (USD bn)**




Source: GSO, Shinhan Securities Vietnam

Exports were stable 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. However, Mr. Donald Trump won the US Presidential Election in November 2024, which may raise some worries between the trade between 2 countries in next years.

**US service PMI**




Source: S&P Global, Shinhan Securities Vietnam

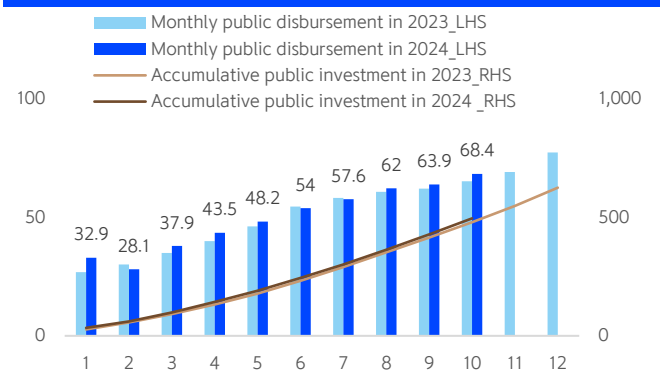
**EU GDP growth rate (% - QoQ)**




Source: EuroStat, Shinhan Securities Vietnam

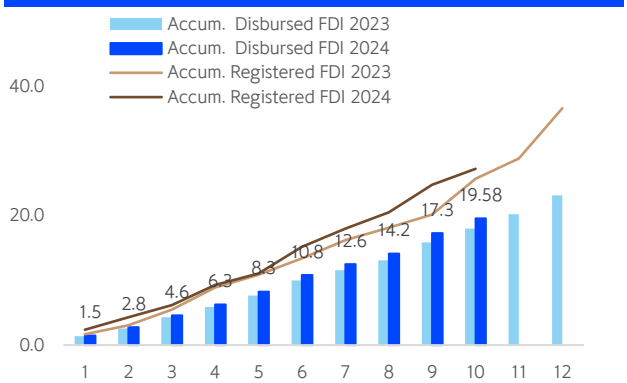
Disbursed investment capital from the State budget in October is estimated at VND 68.4 trillion, increasing by 4.8% YoY. In 10M2024, the disbursed investment capital from the State budget is estimated at VND 495.9 trillion, equal to 64.3% of the annual plan and up 1.8% YoY. In 10M2024, registered FDI reached USD 27.3bn, increasing by 1.8% YoY. Disbursed FDI also increased by 8.8% YoY, reaching about USD 19.6bn.

**Public investment (VND trillion)**




Source: GSO, Shinhan Securities Vietnam

**FDI (USD bn)**

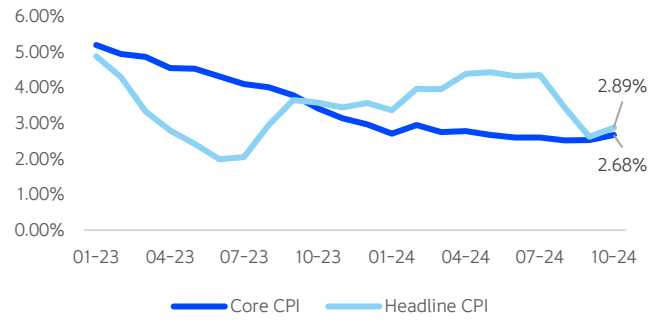



Source: Fiinpro, Shinhan Securities Vietnam

## Inflation

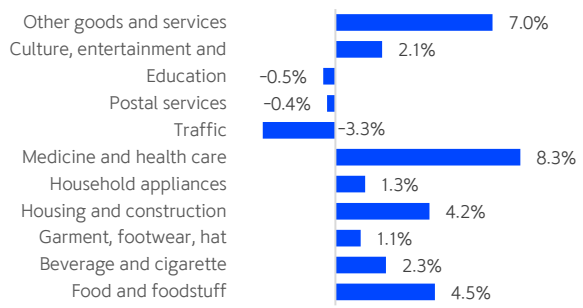
Headline inflation slightly increased, recording an increase of 2.89% YoY in October 2024. The slight MoM (26bps) increase of CPI in October was due to the increase of petrol price in the month and the food price due to Typhoon Yagi. Excluding food, electricity, education services, healthcare services and gasoline costs, core inflation increased by 2.68% YoY. In 10M2024, the average CPI increased by 3.78% YoY, core inflation increased by 2.69% YoY.

**Consumer price index (YoY)**




Source: GSO, Shinhan Securities Vietnam

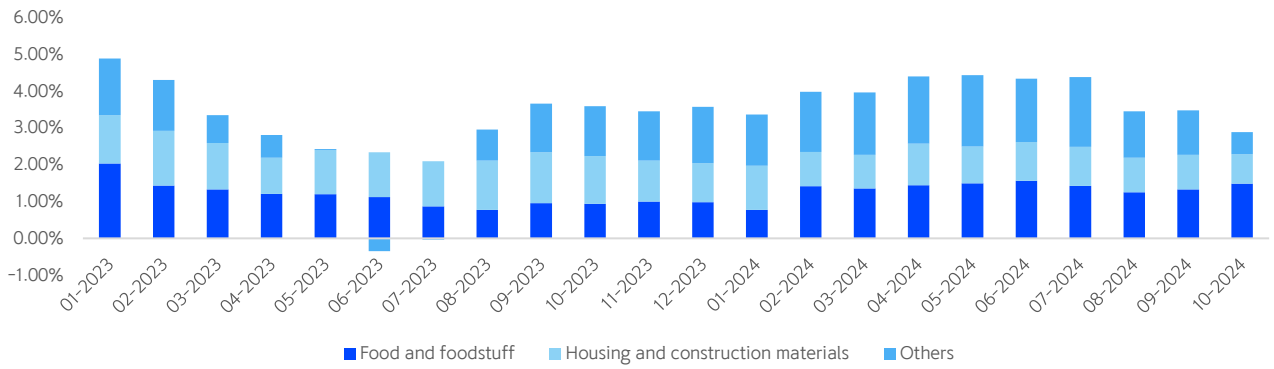
**CPI component in October (YoY)**




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 from September were the main reason. The rental price increased in some provinces when the new school semester began in September.

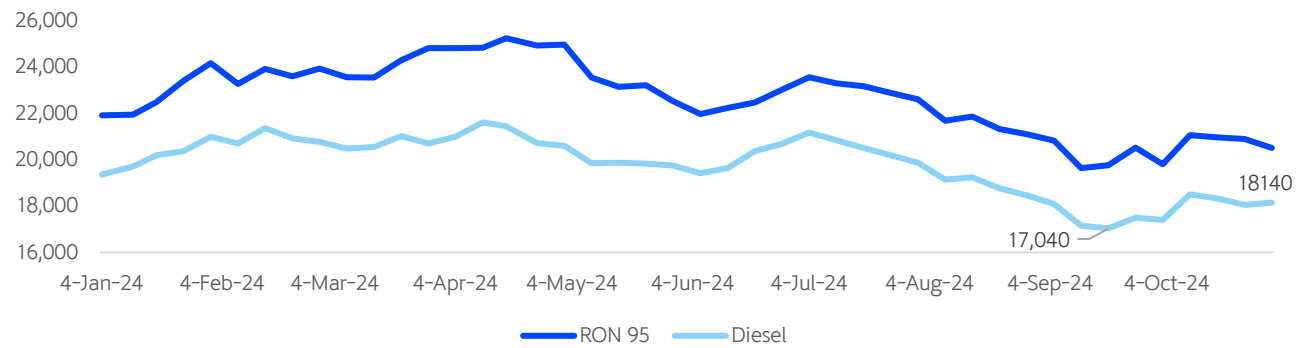
**Contribution by components in CPI**




Source: GSO, Shinhan Securities Vietnam

In October, diesel petrol prices grew by 17.1% MoM, resulting in a 0.66% MoM increase in the transportation basket. The transportation accounted for 9.6% weight of CPI.

**Petrol Price (VND/liter)**

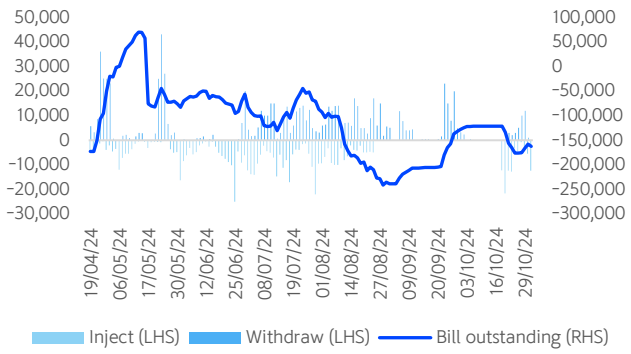



Source: Shinhan Securities Vietnam

## Money market

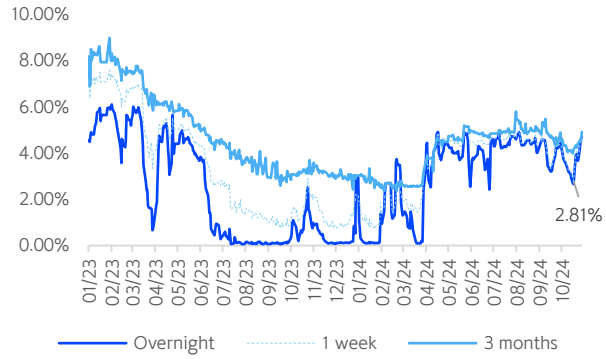
SBV has taken the intervention measures such as withdrawing money from the system and selling USD to cool down the exchange rate since 22 October. These measures have been effective. The VND/USD exchange rate in the free market after reaching the high of VND 25,700 per USD, slightly decreased to VND 25,660 per USD in the last week of October.

**Open market operation (VND billion)**




Source: SBV, FiinPro, Shinhan Securities Vietnam

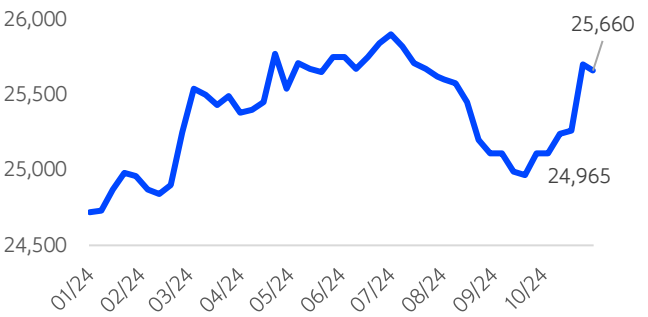
**Interbank interest rate**




Source: SBV, FiinPro, Shinhan Securities Vietnam

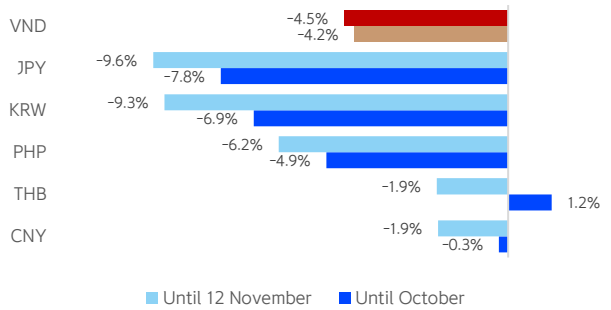
Vietnam Dong depreciated only 1.2% against the US dollar by the end of September 2024. However, the exchange rate increased rapidly in October and depreciated more than 4% against the US dollar. "Trump trades" – Bets on Trump's victory have caused the DXY index to increase sharply. Investors who believe in Trump trades will make USD appreciate against other currencies.

**VND/USD exchange rate on free market**




Source: Fiinpro, Shinhan Securities Vietnam

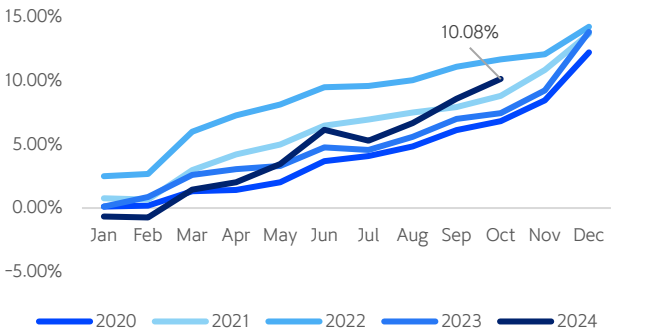
**Depreciation against USD in some countries**




Source: Bloomberg, Shinhan Securities Vietnam estimate

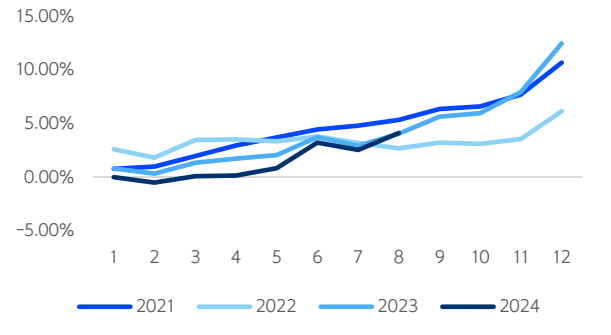
The credit growth reached 10.08% YTD in October 2024. Although the target of 15% credit growth in 2024 is achievable, the banking sector will pay attention to the non-performing loans, according to Ms. Hong – SBV Governor. The risk of increasing NPL ratio rises when global economic factors are challenging.

**Credit growth rate**




Source: SBV, FiinPro, Shinhan Securities Vietnam

**M2 money supply growth (YTD)**

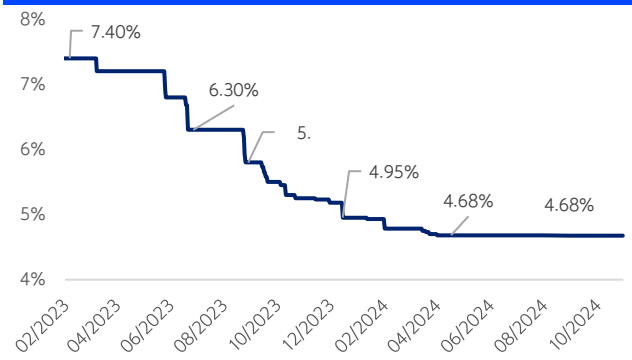



Source: SBV, FiinPro, Shinhan Securities Vietnam

## Money market

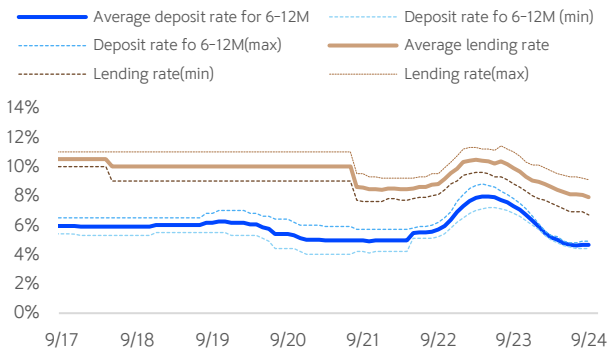
Average 12M deposit rate of SOCBs remained flat since April at 4.68% while the average lending rate had a decreasing trend. The average lending rate declined from 8.4% in April to 7.9% in September, decreasing 50 bps. The current situation shows that some banks will have a Citibank declining NIM ratio in their businesses of next quarters.

**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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