VIETNAM MACRO UPDATE

January 14, 2025

Shinhan Securities

2024 ended on a high note

2024 GDP recorded a remarkable number

Although the global economy had many challenges and a looming outlook, Vietnam's GDP in 2024 recorded an impressive figure – 7.09% YoY for the whole year. GDP in Q4 2024 increased by 7.55% YoY, implying the strength of the economy when keeping an upward trend for 4 consecutive quarters and each quarter is higher than the previous. With the high growth momentum of 2024, Vietnam National Assembly has set a GDP growth target of 6.5% - 7% in 2025.

In Q4, the agriculture, forestry and fishery sector increased by 2.99% YoY, contributing 4.86% to the total growth of the entire economy. The industry and construction sector increased by 8.35%, contributing 44.03%. The service sector increased by 8.21%, contributing 51.11%. Regarding GDP use in Q4 2024, final consumption increased by 7.54% YoY; asset accumulation increased by 7.98% YoY; exports of goods and services increased by 11.35% YoY; imports of goods and services increased by 13.49% YoY.

Manufacturing shows signs of slowing towards the end of the year 2024

The PMI dropped to 49.8 points in December. Output and new orders increased at a slower pace in December. Companies reduced employment and inventory level as business confidence declined due to concerns about instability and uncertainty of the global market. New export orders fell for the second consecutive month. This is the third time in 2024 that the PMI has fallen below 50. The previous two were in March (PMI reached 49.9 points for the same reason as December) and September (PMI reached 47.3 points due to the impact of Typhoon Yagi).

The industrial production index (IIP) in December 2024 recorded a growth rate of 8.8% YoY. For the whole year of 2024, the IIP increased by 8.4% YoY. The manufacturing sector grew by 9.6% YoY; the electricity and gas sector grew by 9.5% YoY and the water supply and waste treatment sector grew by 10.7% YoY. Only the mining industry decreased by 6.5% YoY.

Public investment increased rapidly at the year end, creating a premise for acceleration in 2025

Investment capital from the State budget accelerated in December 2024. Public investment was VND 86.4 trillion in December, increasing by 9% MoM. In 2024, public investment reached VND 661.3 trillion, growing by 3.3% YoY and reaching 84.6% of the annual plan. The rapid growth rate of public investment in the last two months of the year (14% YoY in November and 12% YoY in December) would create the premise for acceleration in 2025. Year 2025 is the final year of the 2021-2025 period, which would be an important period for Vietnam's long-term development plan. Therefore, public investment will play an important role in creating the foundation for the development.

Year-end exchange rate continued to face pressure

DXY peaked at the end of the year, reaching 108.5 at the end of 2024 and continuing to increase to more than 109 in early 2025. Although the increase of the Vietnamese Dong against the US dollar was at a relatively reasonable level in 2024 compared to other countries in the region, the exchange rate still remained at a high level. The continuous increase of DXY would put certain pressure on the domestic VND/USD exchange rate in 2025.

Macro indicators- 12/2024

Economic indicators	12/24	11/24	10/24	09/24	08/24	07/24	06/24	05/24	04/24	03/24	02/24	01/24	12/23
CPI (YoY)	2.94%	2.77%	2.89%	2.63%	3.45%	4.36%	4.34%	4.44%	4.42%	3.97%	3.98%	3.37%	3.58%
CPI (MoM)	0.29%	0.13%	0.33%	0.29%	0.00%	0.48%	0.17%	0.05%	0.07%	-0.23%	1.04%	0.31%	0.12%
PMI	49.80	50.80	51.20	47.30	52.40	54.70	54.70	50.30	50.30	49.90	50.40	50.30	48.90
IIP (YoY)	8.8%	8.0%	7.1%	8.3%	8.4%	11.1%	12.4%	10.0%	7.4%	4.8%	-5.9%	19.5%	5.8%
IIP (MoM)	0.8%	2.3%	4.0%	-0.2%	2.0%	0.7%	0.7%	3.9%	0.8%	20.0%	-18.0%	-4.4%	0.1%
Retail (YoY)	9.3%	8.8%	7.1%	7.6%	7.9%	9.4%	9.2%	9.5%	9.0%	9.2%	8.5%	8.1%	9.3%
Export (USD bn)	35.53	33.80	36.20	34.42	38.93	36.24	33.66	32.27	31.10	33.66	24.69	34.53	31.47
Import (USD bn)	35.01	32.80	34.28	31.60	34.40	33.88	30.46	32.72	29.99	30.88	23.30	30.91	29.40
Balance of trades (USD bn)	0.52	1.00	1.93	2.83	4.52	2.36	3.20	-0.45	1.11	2.78	1.38	3.62	2.07
Acc. Disbursed FDI (USD bn)	25.35	21.68	19.58	17.34	14.15	12.55	10.84	8.25	6.28	4.63	2.80	1.48	23.18
Acc. Registered FDI (USD bn)	38.23	31.38	27.26	24.78	20.52	18.00	15.19	11.07	9.27	6.17	4.29	2.36	36.61
Public Investment (VND trillion)	86.38	75.88	68.36	63.87	62.28	57.07	53.80	48.21	43.49	37.88	28.08	32.93	77.35
Credit growth	15.08%	11.90%	10.08%	8.53%	6.63%	5.93%	6.10%	3.43%	2.01%	1.42%	-0.75%	-0.68%	13.78%
Deposit growth	n.a	n.a	n.a	5.94%	4.12%	4.68%	4.35%	2.80%	2.80%	2.20%	1.60%	-0.53%	12.46%
Overnight interbank rate	4.84%	3.11%	4.70%	4.44%	4.02%	4.60%	4.50%	4.00%	4.60%	2.51%	1.46%	1.00%	0.97%
Average deposit rate at SOCBs	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.70%	4.78%	4.93%	4.95%
10Y Government bond yield	2.77%	2.68%	2.66%	2.66%	2.71%	2.75%	2.75%	2.87%	2.85%	2.75%	2.46%	2.42%	2.39%
VND/USD exchange rate	25,750	25,690	25,280	24,568	24,875	25,630	25,900	25,855	25,640	25,470	25,430	25,000	24,770

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



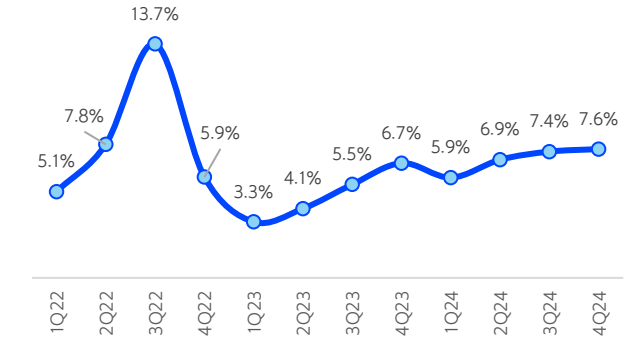
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Shinhan Securities Vietnam Co., Ltd.
Niên Nguyễn – Associate Manager
☎ (84-8) 6299-8000

Economic growth – Industrial Production

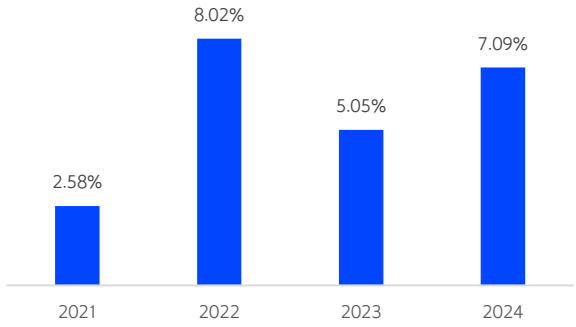
GDP growth in Q4 2024 is 7.55% YoY and in the whole year of 2024 is 7.09% YoY. GDP in 2024 is only lower than the growth rate of 2018, 2019 and 2022 in the period 2011-2024. Regarding GDP use in the whole year of 2024, final consumption increased by 6.57% YoY, asset accumulation increased by 7.2%, exports of goods and services increased by 15.45%, imports of goods and services increased by 16.1%.

GDP growth rate by quarter (YoY)



Source: GSO, Shinhan Securities Vietnam

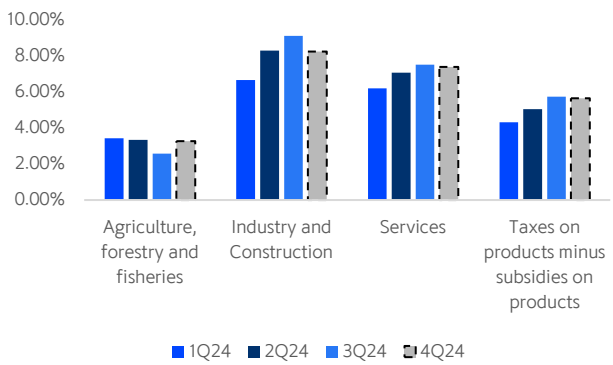
GDP growth rate in 2024



Source: GSO, Shinhan Securities Vietnam

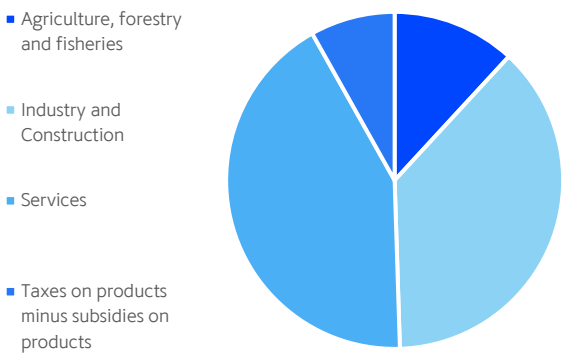
Most of sectors maintained YoY growth momentum in 2024. Industry and construction sector led the growth, always being the growth engine with an increase of 8.35% in Q4 2024 but showing signs of slowing down. Processing and manufacturing sector increased by 11.35% YoY in Q3 2024 but slowed down to 9.97% YoY in Q4 2024. The strong growth of GDP in Q4 was contributed significantly by the services sector with an increase of 8.21% YoY in Q4 while Q3 only increased by 7.52% YoY.

GDP growth by sector (YoY)



Source: GSO, Shinhan Securities Vietnam

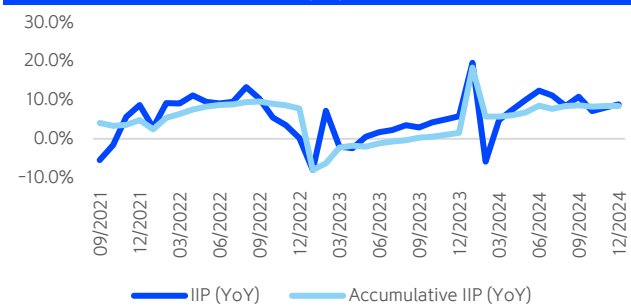
GDP contribution by sector in 2024



Source: GSO, Shinhan Securities Vietnam

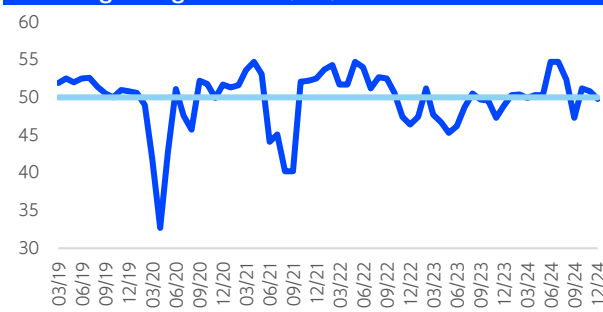
The Industrial Production Index (IIP) in December 2024 recorded a growth of 8.8% YoY. In 2024, the IIP increased by 8.4% YoY. In December, the processing and manufacturing sector increased by 10.2 YoY%; the electricity and gas sector increased by 5.6% and the water supply and waste treatment sector increased by 16.4% YoY. However, the PMI dropped to 49.8 points in December. Output and new orders increased at a slower pace in December. Companies reduced employment and inventory level as business confidence declined due to concerns about instability and uncertainty of the global market.

Index of Industrial Production (IIP)



Source: GSO, Shinhan Securities Vietnam

Purchasing Managers' Index (PMI)

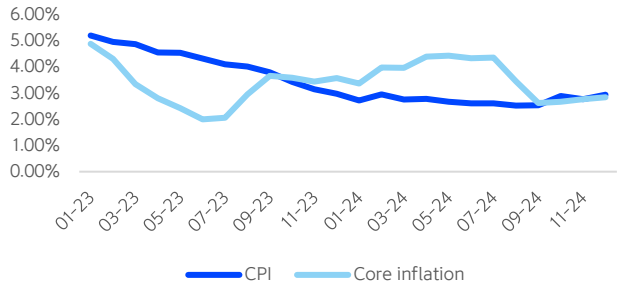


Source: GSO, Shinhan Securities Vietnam

Inflation

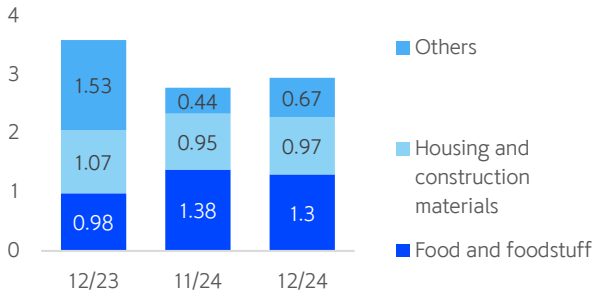
In December 2024, the headline CPI increased by 2.94% YoY. After excluding food, foodstuffs, energy and state-managed goods such as healthcare and education; core inflation increased by 2.85% YoY in December. In 2024, the headline CPI increased by 3.63%, achieving the Government's target of below 4%. Core inflation in 2024 reached 2.71%. The food and services group increased by 3.87% YoY, contributing 1.3 points to the overall increase of the CPI in December.

Monthly consumer price index (YoY)



Source: GSO, Shinhan Securities Vietnam

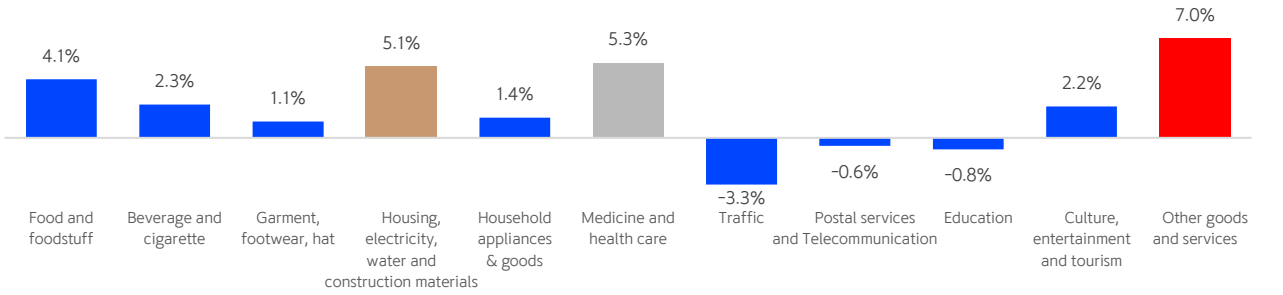
Monthly headline CPI components (YoY)



Source: GSO, Shinhan Securities Vietnam

In terms of YoY increase in December, the other goods and services group had the highest YoY increase of 6.9% YoY. In this group, notary fees, insurance and other services increased the most at 17.23%. The medicine and medical services group had the second highest YoY increase of 5.32% because some regions adjusted medical service prices according to the basic salary of VND 2.34 million. In addition, the change in weather led to an increase in respiratory diseases. The prices of painkillers and antipyretics increased. Finally, the third highest YoY increase belongs to the housing, electricity, water and construction materials group due to the impact of the electricity price increase in October 2024.

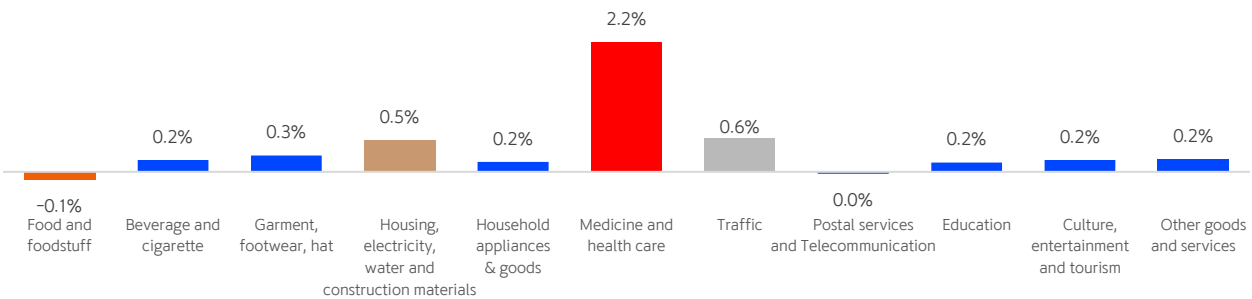
December CPI contribution by components (YoY)



Source: GSO, Shinhan Securities Vietnam

CPI in December increased by 0.29% MoM. The group of medicines and medical services increased the most by 2.2% MoM due to medical facilities adjusting service fees according to the basic salary. The traffic group in December increased by 0.6% MoM due to the increased demand of people traveling at the end of the year, causing the price of passenger transport by rail to increase by 3.03% MoM, and by aviation to increase by 2.06% MoM. In addition, petrol prices also increased by 1.21% MoM. Housing , electricity, water and construction materials prices increased the third highest MoM due to the increase in rental prices due to the warm up of the real estate market. Surprisingly, the group of food and foodstuff decreased due to the price of vegetables decreasing by 3.66% MoM due to favorable weather and abundant supply.

December CPI contribution by components (MoM)

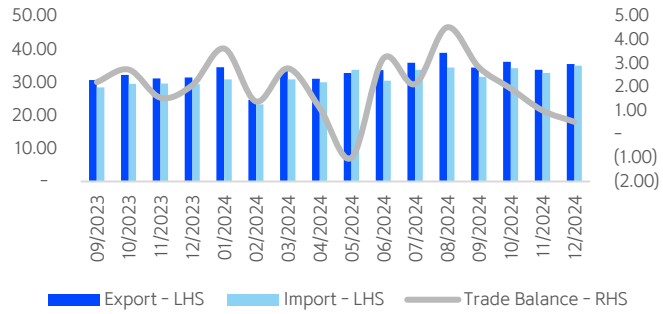


Source: GSO, Shinhan Securities Vietnam

Trading– Retails – Investment

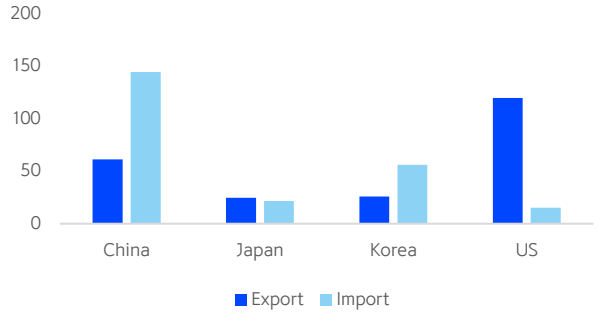
December export value increased by 12.9% YoY and import increased by 19.1% YoY. In terms of MoM growth, December had a recovery when export value increased by 5.1% MoM and import value increased by 6.7% MoM. However, due to November export decreased by 6.6% MoM and import decreased by 4.3% MoM, December's increase only showed a recovery after a downturn due to concerns from the global market when Trump was re-elected. The US is still the Vietnam's largest export trading partner with a total export value of 119.5 billion USD in 2024. On the other hand, China is also the largest import trading partner with a total import value of 144 billion USD.

Total trading turnover (USD bn)



Source: GSO, Shinhan Securities Vietnam

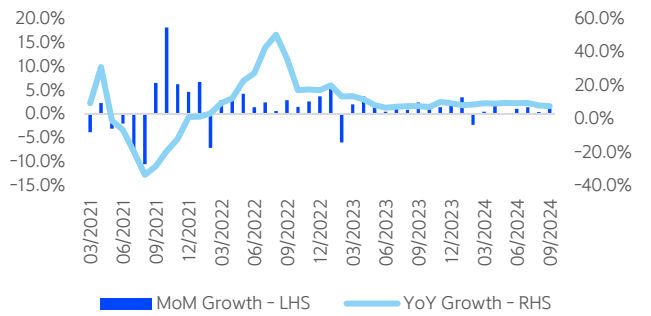
Vietnam major trading partners (USD billion)



Source: Fiinpro, Shinhan Securities Vietnam

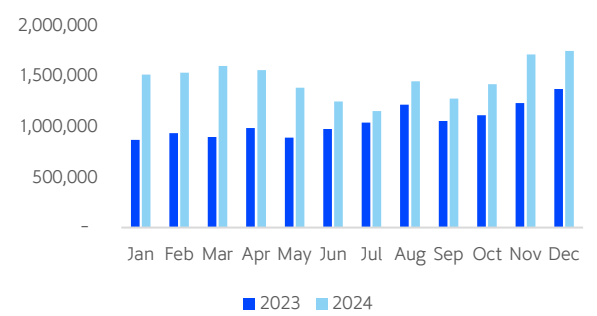
Strong year-end shopping demand helped total retail sales of goods and consumer service revenue increase by 9.3% YoY in December. In 2024, total retail sales of goods and consumer service revenue increased by 9%. The main driving force for the whole year of 2024 is the recovery of the tourism industry as the number of international visitors in 2024 increased by 39.5% YoY.

Retail sales growth



Source: GSO, Shinhan Securities Vietnam

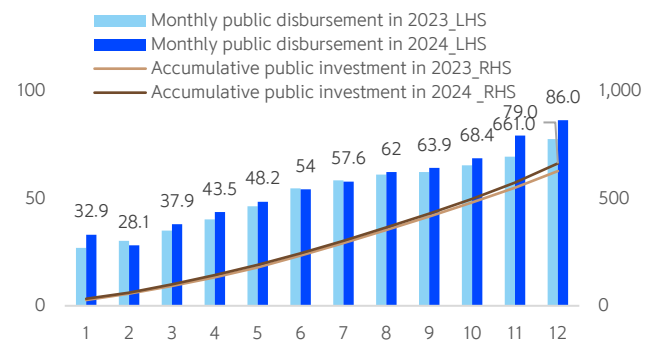
Foreign tourist (pax)



Source: GSO, Shinhan Securities Vietnam

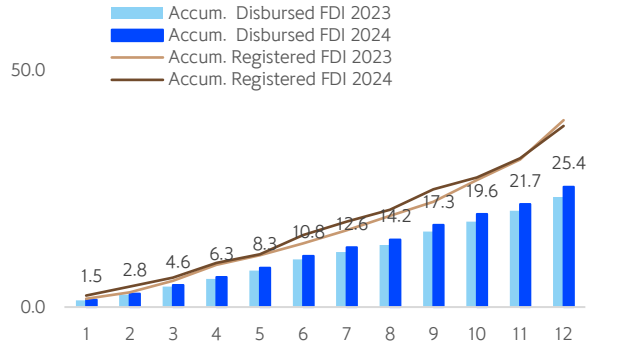
Public investment recorded VND 86.4 trillion in December, increasing by 9% MoM. In 2024, public investment reached VND 661.3 trillion, growing by 3.3% YoY and was equivalent to 84.6% of the annual plan. The rapid growth rate of public investment in the last two months of the year (14% YoY in November and 12% YoY in December) would create the premise for acceleration in 2025. Registered FDI reached USD 38.2 billion, declining by 3% YoY mainly due to capital contribution and share purchase decreasing sharply by 48% YoY. The total newly registered and adjusted FDI capital reached USD 33.7 billion, increasing by 10% YoY.

Public investment (VND trillion)



Source: GSO, Shinhan Securities Vietnam

FDI (USD bn)

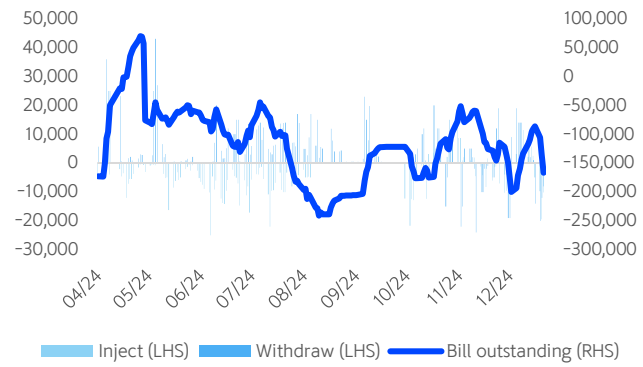


Source: Fiinpro, Shinhan Securities Vietnam

Money market

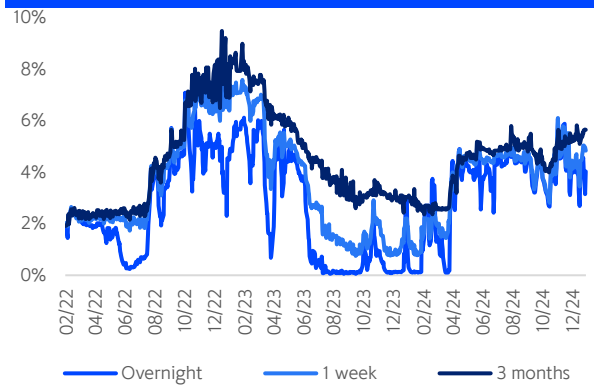
SBV continuously withdrew money through the open market operation when the exchange rate remained high at the end of the year. The interbank interest rate was also maintained at a high level to narrow the gap between USD and VND.

Open Market Operation (VND trillion)



Source: SBV, FiinPro, Shinhan Securities Vietnam

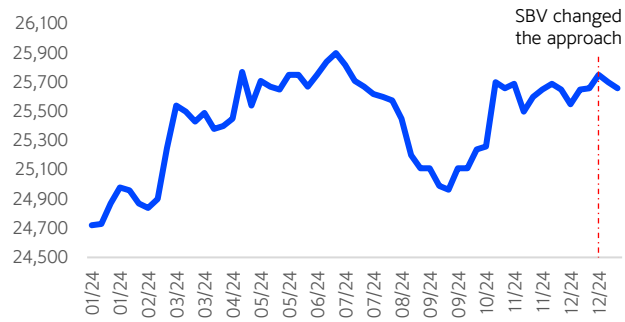
Interbank interest rate



Source: SBV, FiinPro, Shinhan Securities Vietnam

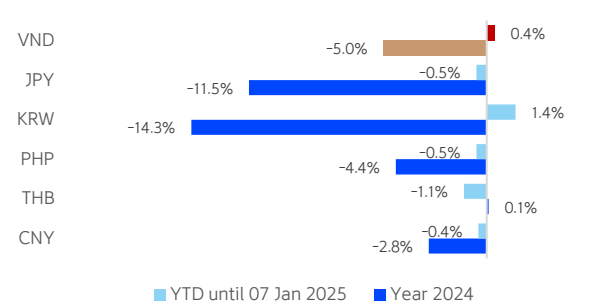
In December 2024, SBV sold USD spot to commercial banks at VND 25,450. In 2025, SBV switched to selling foreign currency forward contracts (with cancellation) showing its intention to keep the interbank exchange rate at VND 25,450. The interbank exchange rate and the free market exchange rate have also decreased accordingly. In comparison to other currencies, the VND/USD exchange rate in 2024 did not depreciate too much such as JPY (-11.1%), KRW (-12.2%),...

VND/USD exchange rate in the free market



Source: Fiinpro, Shinhan Securities Vietnam

YTD depreciation/ appreciation rate vs USD



Source: Bloomberg, Shinhan Securities Vietnam estimate

DXY peaked at the end of the year, reached 108.5 at the end of 2024 and continued to increase above 109 in early 2025. A similar situation also happened in Trump's first presidency. DXY also increased sharply from late 2016 to early 2017 when Trump won the first time. Then DXY decreased in 2017 because the economies of EU countries and Japan were stronger than the US at that time. In current, the economies of EU countries and Japan all have their own problems. The USD will probably continue to be stronger in 2025.

DXY index

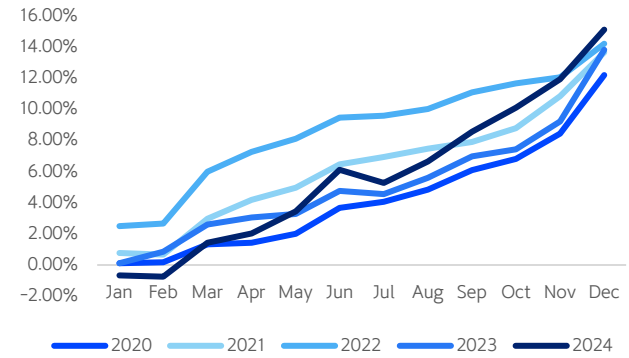


Source: Bloomberg, Shinhan Securities Vietnam

Money market

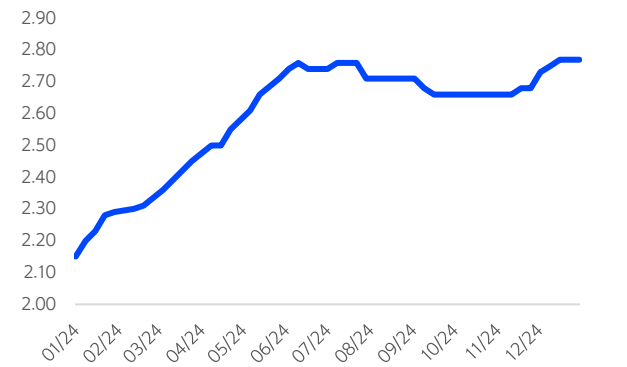
Credit growth in 2024 reached 15% YTD. Credit growth accelerated by 4% in December from 11.09% YTD in November, reaching the 2024 target. The 10-year government bond interest rate (average winning bid) also reached the highest level of the year when ending the year at nearly 2.77%. This high interest rate also corresponded to the high level of interbank interest rates when the exchange rate is continuously at a high level.

Credit growth rate (YTD)



Source: SBV, FiinPro, Shinhan Securities Vietnam

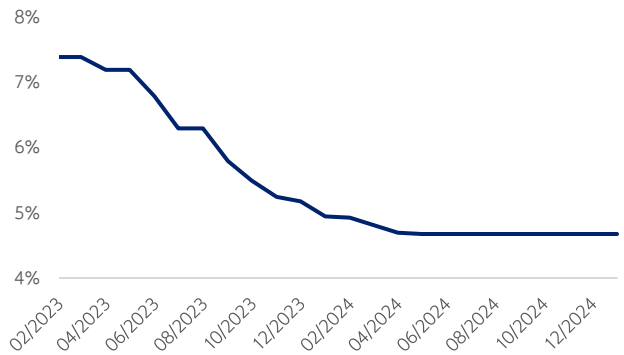
Vietnam 10Y government bonds auction average yield (%)



Source: Bloomberg, Shinhan Securities Vietnam

The average 12-month deposit interest rate of State-owned commercial banks remained unchanged from April at 4.68% while the average lending interest rate tended to decrease. The average lending interest rate decreased to 7.85% in November as deposit interest rates increased towards the end of the year. The average deposit interest rate increased to 5.55% in November.

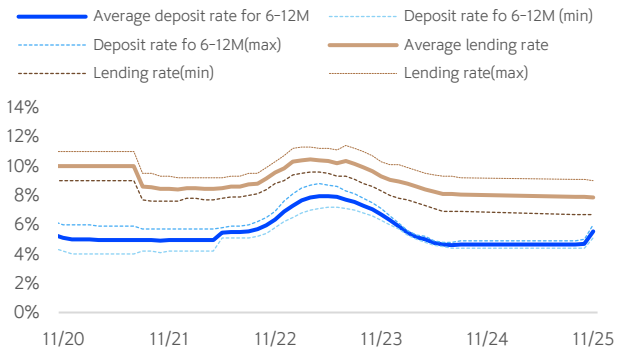
Deposit rate at SOCBs



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

Shinhan Investment Network

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.
18th Floor, The Mett Tower, 15 Tran Bach Dang,
Thu Thiem Ward, Thu Duc City, HCM 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



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