VIETNAM MACRO UPDATE

21 February 2025

Shinhan Securities

Kicking off with a blend of contrast colors

Production increased slightly due to Lunar New Year but uncertainties prevailed

Because the Lunar New Year lasted nearly 10 days at the end of January, production activities were influenced. The Index for industrial production (IIP) in January 2025 increased slightly by 0.6% YoY (-9.2% MoM). Unlike previous months, when the manufacturing sector played a leading in the total growth with the high growth number, the sector only increased by 1.6% YoY. The water supply industry; waste management and treatment activities grew the highest compared to other industries, reaching 9.2% YoY.

The PMI continued falling to 48.9 points in January 2025 from 49.8 in December 2024. In the context of declining both output and new orders, manufacturing companies responded by cutting human resources and reducing inventories. However, companies still maintained an optimistic outlook on output for the year. More than 36% predicted that the output would increase in the next 12 months according to the S&P Global survey.

Inflation increased by more than 3% due to the seasonal factors and adjustment in public service prices at the end of 2024

Headline CPI in January 2025 increased by 3.6% YoY and core inflation increased by 3.07% YoY. In January 2025, due to the early Tet Holiday, purchasing power maintained, focusing on high-consumption food during Tet. It led to the food and foodstuff CPI increasing by 4.4% YoY, contributing 1.48 increasing points to the headline inflation.

In addition, the medicine and health care services CPI also contributed 0.76 points to the headline inflation due to the adjustment of medical service price following to Circular 21/2024/TT-BYTH dated 17 October 2024. The medicine and health care services increased by 14.1% YoY, which is the highest YoY increase in the CPI component. Moreover, the housing, electricity, water, gas and construction materials CPI also increased by 5.0% due to the electricity price changes in October 2024.

Trade surplus in January 2025 reached USD 3 billion

In January, export turnover of goods reached USD 33.1 billion, declining 4.3% YoY. Import turnover of goods reached USD 30.1 billion, decreasing by 2.6% YoY. Trade surplus was USD 3 billion. The domestic companies sector had a trade deficit of USD 1.4 billion and the FDI companies sector had a trade surplus of USD 4.4 billion. The US is the largest Vietnam's export market with a turnover of USD 9.8 billion and China is the largest import market with a turnover of USD 11.6 billion.

Public investment in January increased by 9.6% YoY

Disbursed investment capital from the State budget in January was estimated at VND 35.4 trillion, increasing by 9.6% YoY, equivalent to 4.1% of the annual plan. Public investment was the focus as the driving force for 2025 economic development plan, Vietnam Government was determined to push investments in ministries and provinces. According to GSO data, the Northern provinces had the high disbursement level in January 2025 such as Hanoi (+29.1% YoY), Ha Nam (+89.8% YoY), Hung Yen (+70.1% YoY), Hoa Binh (+139.1% YoY), Bac Ninh (+41.1% YoY)… While the Southern provinces had lower growth rates such as Ho Chi Minh City (-0.4% YoY), Ba Ria-Vung Tau (+1.2% YoY), Dong Nai (+5.2% YoY), Binh Duong (-9.2% YoY)…

Macro indicators- 1/2025

Economic indicators	01/25	12/24	11/24	10/24	09/24	08/24	07/24	06/24	05/24	04/24	03/24	02/24	01/24
CPI (YoY)	3.63%	2.94%	2.77%	2.89%	2.63%	3.45%	4.36%	4.34%	4.44%	4.42%	3.97%	3.98%	3.37%
CPI (MoM)	0.98%	0.29%	0.13%	0.33%	0.29%	0.00%	0.48%	0.17%	0.05%	0.07%	-0.23%	1.04%	0.31%
PMI	48.90	49.80	50.80	51.20	47.30	52.40	54.70	54.70	50.30	50.30	49.90	50.40	50.30
IIP (YoY)	0.6%	8.8%	8.0%	7.1%	8.3%	8.4%	11.1%	12.4%	10.0%	7.4%	4.8%	-5.9%	19.5%
IIP (MoM)	-9.2%	0.8%	2.3%	4.0%	-0.2%	2.0%	0.7%	0.7%	3.9%	0.8%	20.0%	-18.0%	-4.4%
Retail (YoY)	9.5%	9.3%	8.8%	7.1%	7.6%	7.9%	9.4%	9.2%	9.5%	9.0%	9.2%	8.5%	8.1%
Export (USD bn)	33.09	35.53	33.80	36.20	34.42	38.93	36.24	33.66	32.27	31.10	33.66	24.69	34.53
Import (USD bn)	30.06	35.01	32.80	34.28	31.60	34.40	33.88	30.46	32.72	29.99	30.88	23.30	30.91
Balance of trades (USD bn)	3.02	0.52	1.00	1.93	2.83	4.52	2.36	3.20	-0.45	1.11	2.78	1.38	3.62
Acc. Disbursed FDI (USD bn)	1.51	25.35	21.68	19.58	17.34	14.15	12.55	10.84	8.25	6.28	4.63	2.80	1.48
Acc. Registered FDI (USD bn)	4.33	38.23	31.38	27.26	24.78	20.52	18.00	15.19	11.07	9.27	6.17	4.29	2.36
Public Investment (VND trillion)	35.42	86.38	75.88	68.36	63.87	62.28	57.07	53.80	48.21	43.49	37.88	28.08	32.93
Credit growth	0.19%	15.08%	11.90%	10.08%	8.53%	6.63%	5.93%	6.10%	3.43%	2.01%	1.42%	-0.75%	-0.68%
Deposit growth	n.a	n.a	7.16%	6.82%	6.50%	6.00%	4.68%	4.35%	2.80%	2.80%	2.20%	1.60%	-0.53%
Overnight interbank rate	3.92%	4.04%	3.11%	4.70%	4.44%	4.02%	4.60%	4.50%	4.00%	4.60%	2.51%	1.46%	1.00%
Average deposit rate at SOCBs	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.70%	4.78%	4.93%
10Y Government bond yield	3.00%	2.97%	2.68%	2.66%	2.66%	2.71%	2.75%	2.75%	2.87%	2.85%	2.75%	2.46%	2.42%
VND/USD exchange rate	25,450	25,750	25,690	25,280	24,568	24,875	25,630	25,900	25,855	25,640	25,470	25,430	25,000

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



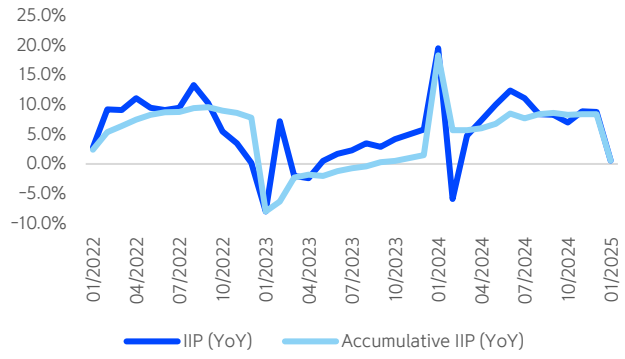
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Shinhan Securities Vietnam Co., Ltd.
Niên Nguyễn – Associate Manager
☎ (84-8) 6299-8000

Production – Consumption

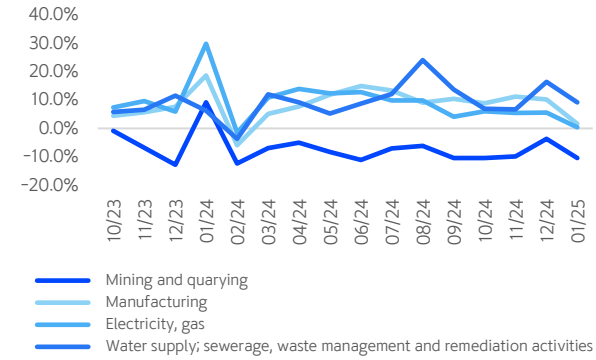
In January, the index of industrial production (IIP) increased slightly by 0.6% YoY (-9.2% MoM). Because Vietnam had a week off for the Lunar New Year, if we compared the slight increase in January 2025 to January 2024 (a full month operation), the slight increase was positive. The water supply; sewage and waste management sector increased by 9.2% YoY, which was the highest growth. Mining and quarrying sector declined by 10.4% YoY; electricity and gas sector increased by 0.4% YoY and manufacturing sector grew by 1.6% YoY.

Index of Industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

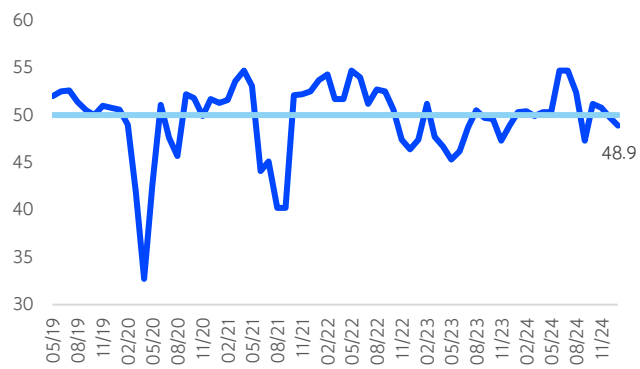
IIP by sub-sectors



Source: GSO, Shinhan Securities Vietnam

The January 2025 PMI was 48.9, down from 49.8 in December 2024. Output and new orders both fell. Firms responded by cutting jobs and reducing inventories of finished goods.

Purchasing managers' index (PMI)



Source: S&P Global,, Shinhan Securities Vietnam

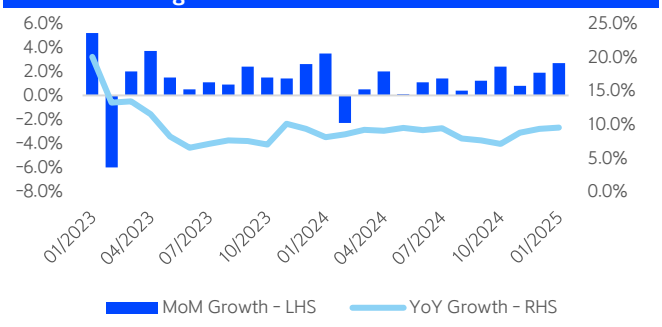
PMI summary

New orders	First decline in the last 4 months due to weak demand
Production	Decrease following purchasing orders
Inventories	Decrease with the highest pace since last July
Purchasing	Slight increase for production preparation
Employment	Sharp decline since last May
Business confidence	Maintain optimism compared to last December

Source: S&P Global, Shinhan Securities Vietnam

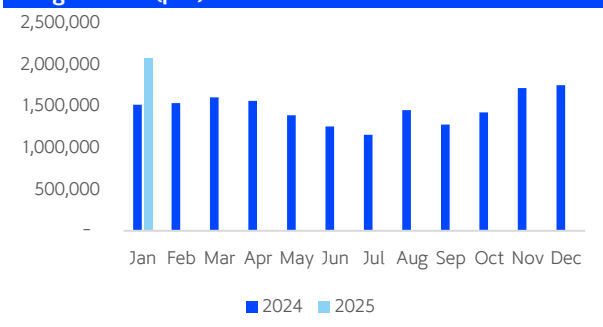
Total retail sales of goods and consumer services revenue increased by 9.5% YoY in January, a slight increase compared to the previous month. Retail sales increased by 8.6% YoY; accommodation and catering services increased by 14.8% YoY; tourism and travel increased by 17.3%. International arrivals to Vietnam increased by 36.9% YoY in January. In January 2025, due to the early Tet holiday, purchasing power was maintained, focusing on high-consumption food during Tet, which led to the food and foodstuff CPI increasing by 4.4% YoY.

Total retail sales growth



Source: GSO, Shinhan Securities Vietnam

Foreign tourist (pax)

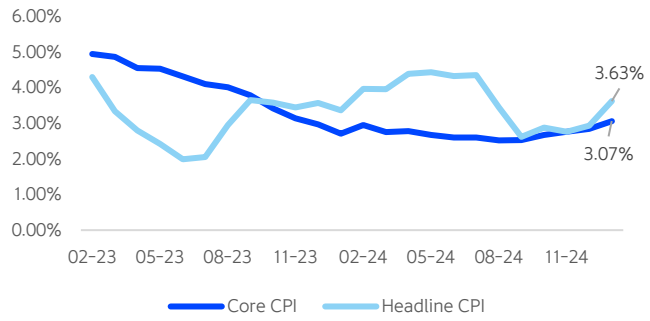


Source: GSO, Shinhan Securities Vietnam

Inflation

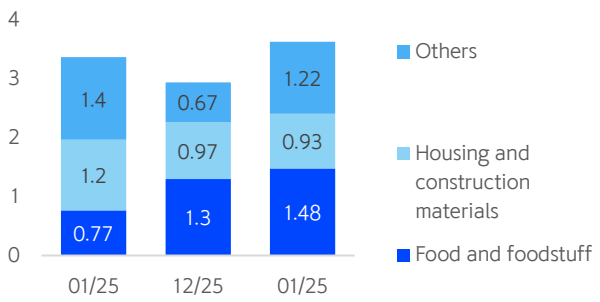
In January 2025, the headline CPI increased by 3.63% YoY. After excluding food, foodstuffs, energy and state-managed items such as healthcare and education; core inflation increased by 3.07% YoY in January. The food and foodstuff CPI increased by 4.4% YoY, contributing 1.48 points to the general increase in CPI in January 2025.

Monthly Consumer price index (YoY)



Source: GSO, Shinhan Securities Vietnam

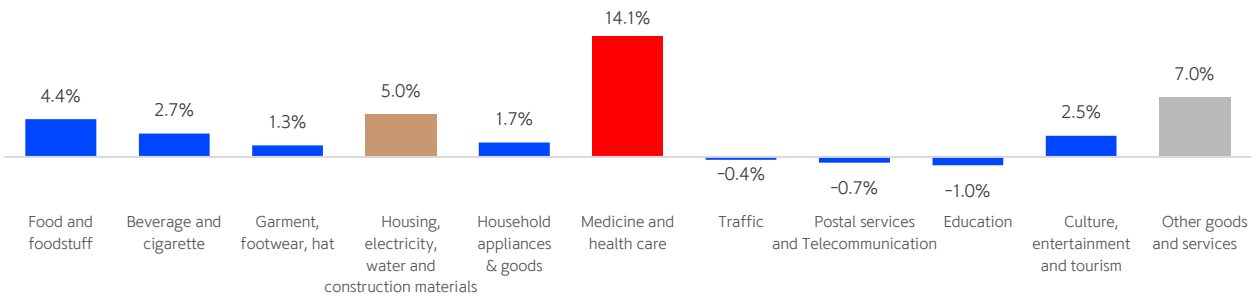
CPI component in January (% YoY)



Source: GSO, Shinhan Securities Vietnam

In terms of YoY increase in January, the medicine and health care CPI had the highest increase with 14.1% YoY, contributing 0.76 points to the headline inflation due to the adjustment of medical service prices following to Circular No.21/2024/TT-BYT dated 17 October 2024. The other goods and services CPI had the second highest YoY increase of 7.0% YoY. In this group, notary fees, insurance and other services increased the highest at 17.27%. The housing, electricity, water, gas and construction materials increased by 5.0% YoY, in which the rental fee electricity and water increased by 5.8%, 5.6% and 4% respectively.

January CPI contribution by components (YoY)

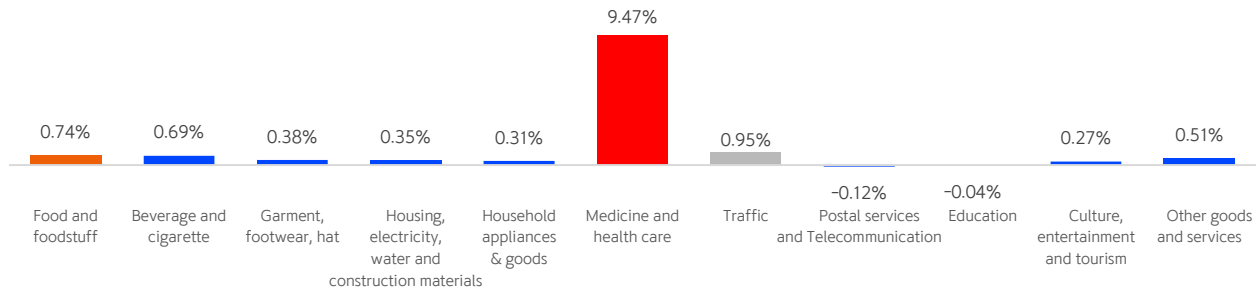


Source: GSO, Shinhan Securities Vietnam

CPI in January increased by 0.42% MoM. The medicine and health care CPI increased the most by 9.5% MoM due to medical facilities adjusting service fees. In addition, the weather also caused an increase in cold symptoms and respiratory diseases. Demand for medicines increased. Specifically, the price of vitamin and mineral medicines increased by 0.34%, and respiratory medicines increased by 0.12%.

The traffic group in January increased by 1% MoM due to the increasing demand of travelling for the Lunar New Year, causing the price of passenger transportation by rail to increase by 1.71% MoM and by air to increase by 11.08% MoM. In addition, the diesel also increased by 4.99% MoM. The food and foodstuff CPI was the third highest increase due to the holiday effect.

January CPI contribution by components (MoM)

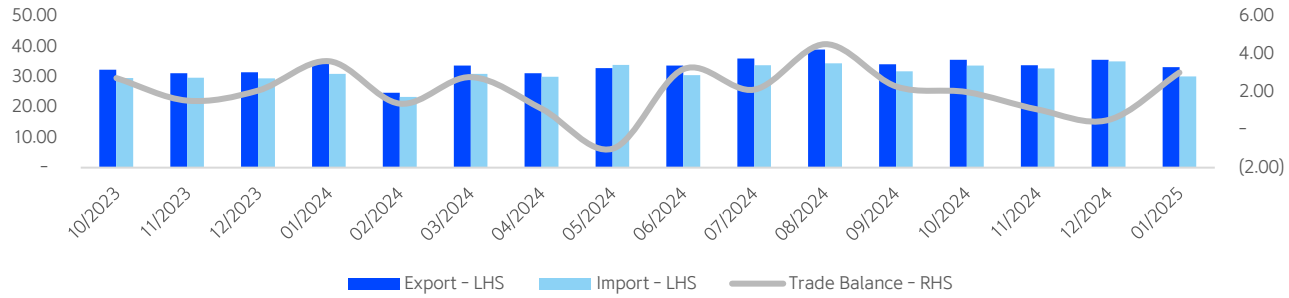


Source: GSO, Shinhan Securities Vietnam

Trading – Investment

In January, export turnover of goods reached USD 33.1bn, decreasing by 4.3% YoY. Import turnover reached USD 30.1bn, declining by 2.6% YoY. Trade surplus was USD 3bn. The domestic companies sector had a trade deficit of USD 1.4 billion and the FDI companies sector had a trade surplus of USD 4.4 billion. The US is the largest Vietnam's export market with a turnover of USD 9.8 billion and China is the largest import market with a turnover of USD 11.6 billion. Besides the export of electronics, computers and components increased by 13.3% YoY just like in recent months, the highest export growth rate in January belonged to the fiber and textile group, increasing by 63.3% YoY.

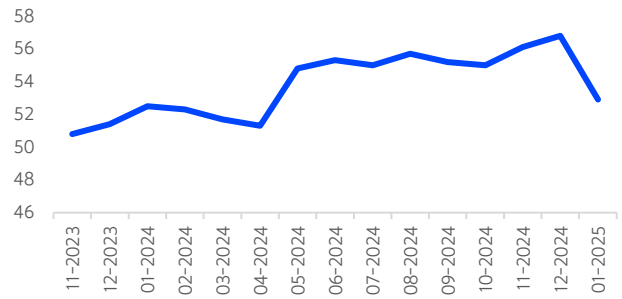
Total trading turnover (USD bn)



Source: GSO, Shinhan Securities Vietnam

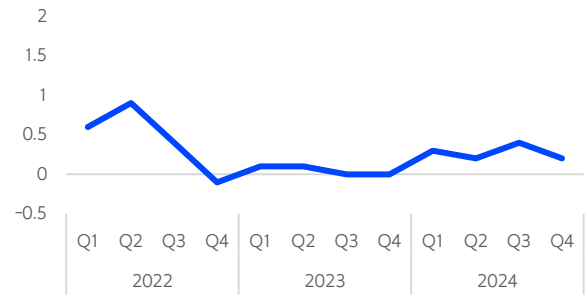
The US services PMI also declined in January, from 56.8 points in December 2024 to 52.9 points in January 2025. The decline in the US services PMI was partly due to disruptions caused by unusually adverse weather in some parts of the US. The Eurozone continued to maintain its modest growth with Q4 2024 GDP increasing by 0.1% QoQ and 0.9% YoY. Vietnam's major export markets are expected to return to normal in February.

US service PMI



Source: S&P Global, Shinhan Securities Vietnam

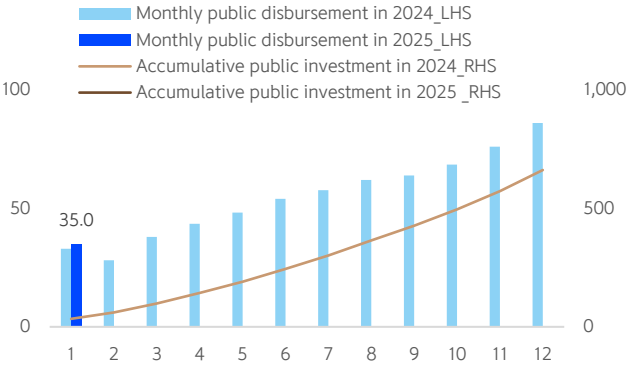
EU GDP growth rate (% - QoQ)



Source: EuroStat, Shinhan Securities Vietnam

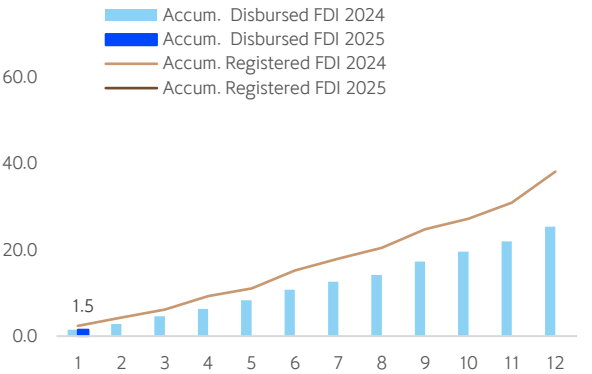
Disbursed investment capital from the State budget in January is estimated at VND 35.4 trillion, increasing by 9.6% YoY, equivalent to 4.1% of the annual plan. In January 2025, registered FDI reached 4.3 billion USD, up 79% YoY. FDI disbursement reached about 1.5 billion USD, equivalent to last year's level.

Public investment (VND trillion)



Source: GSO, Shinhan Securities Vietnam

FDI (USD bn)

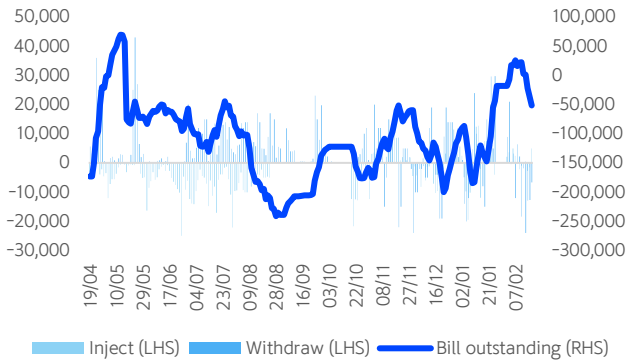


Source: Fiinpro, Shinhan Securities Vietnam

Money market

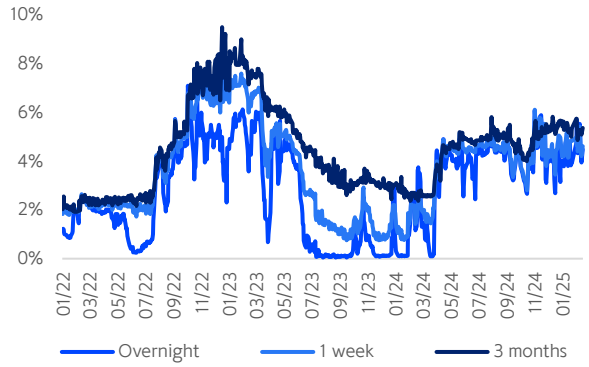
The State Bank has implemented open market operations to effectively control exchange rates. In January 2025, interbank interest rates continued to remain around 4% for overnight terms, 4.55% for 1-month terms and 5.4% for 3-month terms, equivalent to interest rates in the last months of 2024.

Open market operation (VND billion)



Source: SBV, FiinPro, Shinhan Securities Vietnam

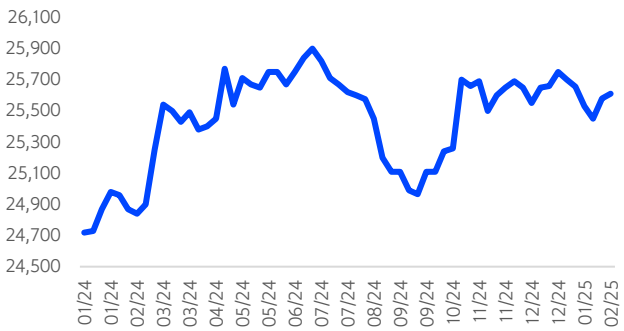
Interbank interest rate



Source: SBV, FiinPro, Shinhan Securities Vietnam

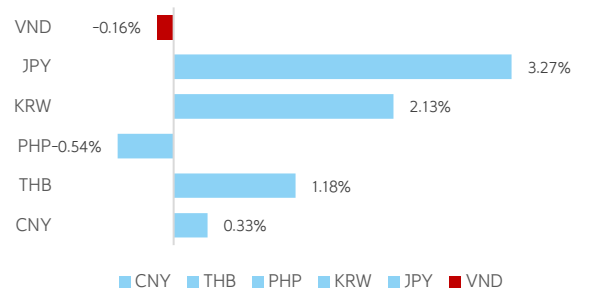
The USD/VND exchange rate in the free market was stable. After a slight decrease in January due to low demand for USD before Tet holiday, the exchange rate increased again in February after Tet when production activities were back. Until 18 February 2025, the VND depreciated 0.16% YTD against the US dollar.

VND/USD exchange rate on free market



Source: Fiinpro, Shinhan Securities Vietnam

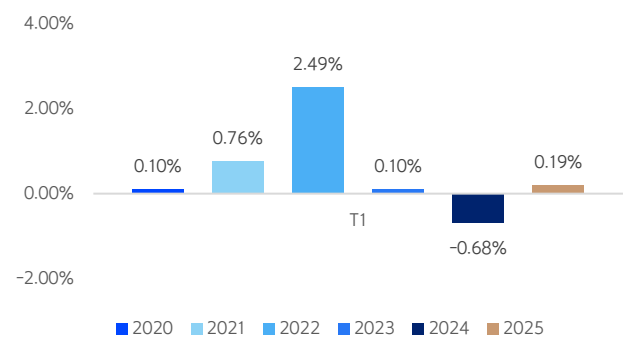
YTD depreciation against USD in some countries until 18 Feb 25



Source: Bloomberg, Shinhan Securities Vietnam estimate

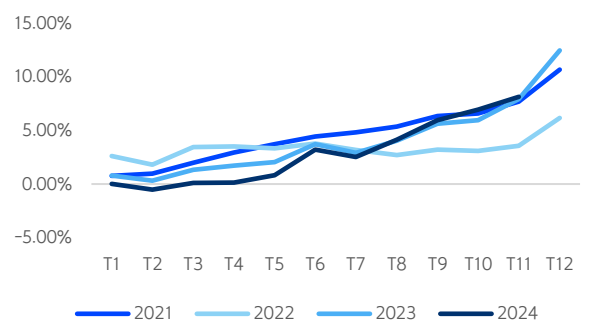
Monthly credit growth increased by 0.19% YTD in January 2025. The credit balance was approximately VND 15.65 thousand trillion. The slight increase was due to the impact of seasonal factors and the Lunar New Year holiday.

Credit growth rate on January



Source: SBV, FiinPro, Shinhan Securities Vietnam

M2 money supply growth (YTD)

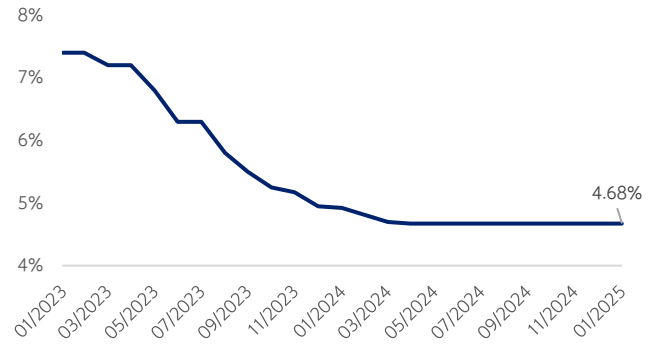


Source: SBV, FiinPro, Shinhan Securities Vietnam

Money market

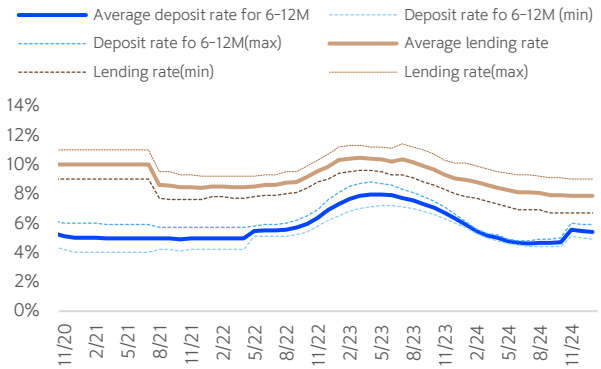
The average 12-month deposit interest rate of state-owned commercial banks has remained unchanged since April at 4.68%. The average lending interest rate has remained at 8.4% since November 2024. Meanwhile, the average deposit interest rate tends to form a new level at around 5.5% since November 2024, an increase of 80 points compared to October 2024.

12M term 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

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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