

VIETNAM MACRO UPDATE

December 27, 2024

Going positive to the year-end

Production growth continued

After a slowing month in October, IIP inched up slightly in November, increasing by 8.4% YoY. In 11M2024, IIP also grew by 8.8% YoY, implying a growth nearly 9% for year 2024 – a positive figure. Manufacturing played an important role in the overall growth contribution. The manufacturing sector in November grew by a double digit number 11.2% YoY, the highest growth compared to other sectors like mining & quarrying (-9.85% YoY); electricity & gas (+5.46% YoY); water supply; sewerage, waste management and remediation activities (+6.67% YoY).

Trading growth in November was slower

In November, export and import grew by 8.4% YoY and 10.4%, reaching USD 33.7bn and USD 32.7bn, respectively. Export and import values decreased by 6.8% MoM and 4.7% MoM due to the weak international demand. PMI decreased from 51.2 in October to 50.8 in November. New orders falter slightly rather than continuing to gain momentum following the disruption caused by Typhoon Yagi in September.

Inflation under control

Headline inflation increased by 2.77% YoY and 0.13% MoM. The slight increase in MoM was attributable to the increase of electricity price and housing & construction price. From October, the Government adjusted the retail electricity price with an increase of 4.8%. The housing & construction price increased due to the growth in the rental price. The house rental price increased thanks to the active buying and selling houses and apartments at the year end. The real estate gradually warmed up. Heading to the end of 2024, inflation would be under control, under 4%, meeting the Government target.

Public investment accelerated

Disbursed investment capital from the State budget in November is estimated at VND 75.9 trillion, increasing by 9.7% YoY. In 11M2024, the disbursed investment capital from the State budget is estimated at VND 571.9 trillion, equal to 73.5% of the annual plan and up 2.4% YoY. In December, the National Assembly approved the Public Investment Law (amended), which was expected to accelerate the public spending in the upcoming year.

Exchange rate continued at the high level

The US dollar kept stronger at the end of year 2024. DXY reached the peak of 108 in December 2024. Despite the easing monetary cycle would start from September Fed's rate cut, the concerns over Trump's policies on tariffs and US tax rattled global investors. Investors, believed that Trump's policies, will make US dollar stronger against other currencies. Many Asian currencies had a strong depreciation against US dollar like Korean Won, Japanese Yen. Until 26 December 2024, Vietnamese Dong depreciated 4.8% against US dollar. The State Bank of Vietnam had to action in the open market and the exchange rate market to stabilize the Vietnam exchange rate.

Macro indicators- 11/2024

Economic indicators	11/24	10/24	09/24	08/24	07/24	06/24	05/24	04/24	03/24	02/24	01/24	12/23	11/23
CPI (YoY)	2.77%	2.89%	2.63%	3.45%	4.36%	4.34%	4.44%	4.42%	3.97%	3.98%	3.37%	3.58%	3.45%
CPI (MoM)	0.13%	0.33%	0.29%	0.00%	0.48%	0.17%	0.05%	0.07%	-0.23%	1.04%	0.31%	0.12%	0.25%
PMI	50.80	51.20	47.30	52.40	54.70	54.70	50.30	50.30	49.90	50.40	50.30	48.90	47.30
IIP (YoY)	8.9%	7.1%	8.3%	8.4%	11.1%	12.4%	10.0%	7.4%	4.8%	-5.9%	19.5%	5.8%	5.0%
IIP (MoM)	2.3%	4.0%	-0.2%	2.0%	0.7%	0.7%	3.9%	0.8%	20.0%	-18.0%	-4.4%	0.1%	3.0%
Retail (YoY)	8.8%	7.1%	7.6%	7.9%	9.4%	9.2%	9.5%	9.0%	9.2%	8.5%	8.1%	9.3%	10.1%
Export (USD bn)	33.73	36.20	34.42	38.93	36.24	33.66	32.27	31.10	33.66	24.69	34.53	31.47	31.12
Import (USD bn)	32.67	34.28	31.60	34.40	33.88	30.46	32.72	29.99	30.88	23.30	30.91	29.40	29.58
Balance of trades (USD bn)	1.07	1.93	2.83	4.52	2.36	3.20	-0.45	1.11	2.78	1.38	3.62	2.07	1.54
Acc. Disbursed FDI (USD bn)	21.68	19.58	17.34	14.15	12.55	10.84	8.25	6.28	4.63	2.80	1.48	23.18	20.25
Acc. Registered FDI (USD bn)	31.38	27.26	24.78	20.52	18.00	15.19	11.07	9.27	6.17	4.29	2.36	36.61	28.85
Public Investment (VND trillion)	75.88	68.36	63.87	62.28	57.07	53.80	48.21	43.49	37.88	28.08	32.93	77.35	69.14
Credit growth	11.90%	10.08%	8.53%	6.63%	5.26%	6.00%	3.43%	2.01%	1.42%	-0.75%	-0.68%	13.78%	9.19%
Deposit growth	n.a	n.a	5.94%	4.12%	2.52%	3.21%	0.82%	0.13%	0.09%	-0.53%	0.00%	12.46%	7.92%
Overnight interbank rate	3.11%	4.70%	4.44%	4.02%	4.60%	4.50%	4.00%	4.60%	2.51%	1.46%	1.00%	0.97%	0.14%
Average deposit rate at SOCBs	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.70%	4.78%	4.93%	4.95%	5.18%
10Y Government bond yield	2.68%	2.66%	2.66%	2.71%	2.75%	2.75%	2.87%	2.85%	2.75%	2.46%	2.42%	2.39%	2.49%
VND/USD exchange rate	25,690	25,280	24,568	24,875	25,630	25,900	25,855	25,640	25,470	25,430	25,000	24,770	24,650

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



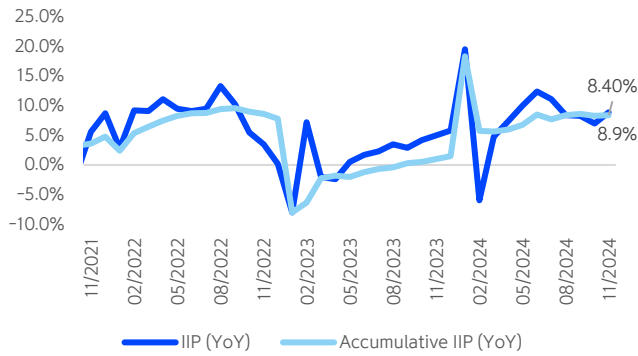
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Production – Consumption

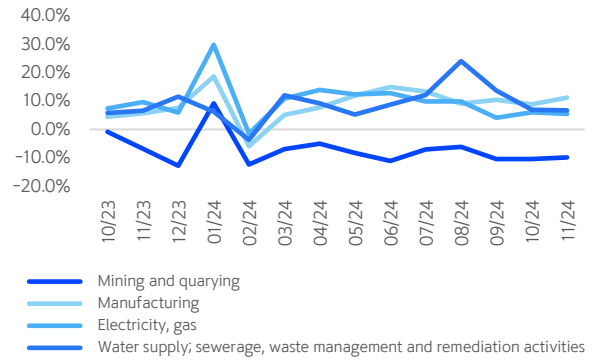
In November, the Index of Industrial Production (IIP) growth continued the stable. November IIP increased by 8.4% YoY. The accumulated IIP for 11 months of 2024 increased by 8.9% YoY. Manufacturing sector played a main role in contributing the growth. The growth of manufacturing sector was the highest compared to other sectors, with number of 11.2% YoY. Mining & quarrying; electricity, gas; and water supply & others had the growth of -9.85% YoY, 5.46% YoY and 6.67% YoY respectively.

Index of Industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

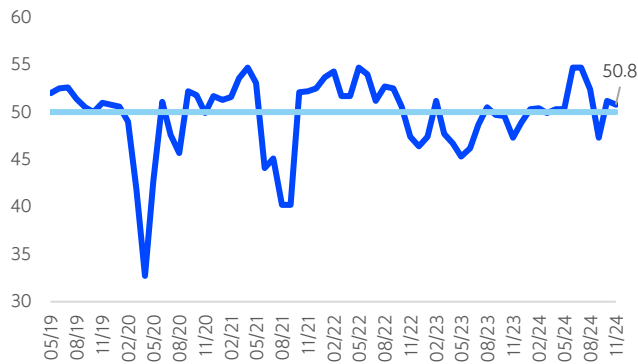
IIP by sub-sectors



Source: GSO, Shinhan Securities Vietnam

There is a slight decline in November PMI, decreasing from 51.2 in October to 50.8 in November. Despite an increase in total new orders due to improving demand and the acquisition of new customers, overall growth was hindered by weak international demand.

Purchasing managers' index (PMI)



Source: S&P Global, Shinhan Securities Vietnam

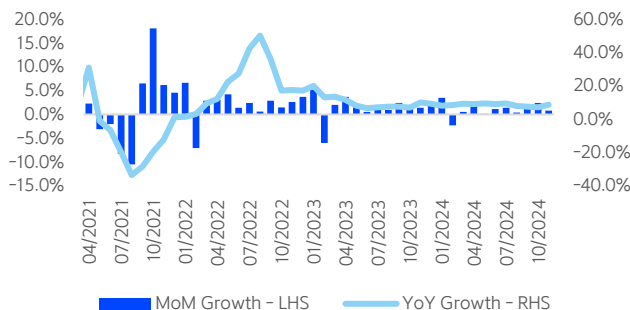
PMI summary

New orders	Increased but weak demand
Production	Backlog increased in the slowest pace since June
Inventories	Down because of weak demand
Purchasing	Reduced the purchasing activity for the 2 nd time in the past three months
Employment	Decreased
Business confidence	Slight declined

Source: S&P Global, Shinhan Securities Vietnam

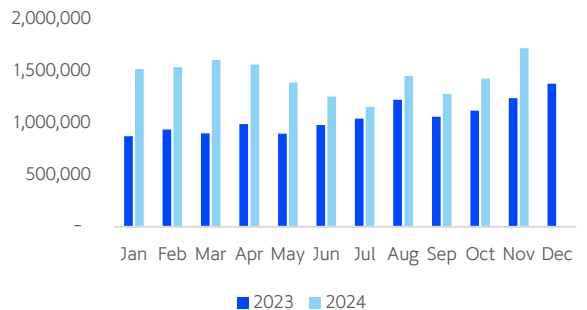
Total retail sales grew by 8.8% YoY in November, a slight increase compared to the last month. In 11M2024, the total retail sales grew by 8.8% YoY thanks to the increase of the tourism sector. Some provinces, having the high retail sales growth, are Hai Phong (+9.5%), Quang Ninh (+9.3%), Da Nang (+7.4%), Ha Noi (+6.5%), Ho Chi Minh City (+5.2%)

Total retail sales growth



Source: GSO, Shinhan Securities Vietnam

Foreign tourist (pax)

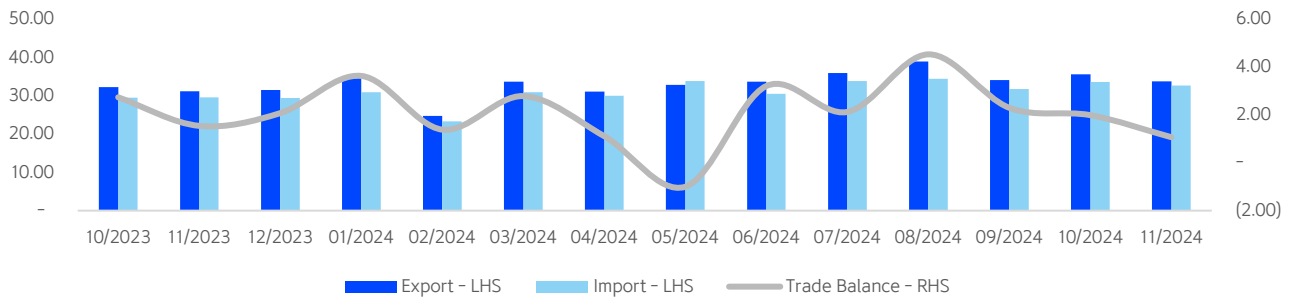


Source: GSO, Shinhan Securities Vietnam

Trading – Investment

In November, export and import grew by 8.4% YoY and 10.4%, reaching USD 33.7bn and USD 32.7bn, respectively. This resulted in a trade surplus of USD 1.07bn. In 11M2024, exports and imports totaled USD 369.9bn (+14.7% YoY) and USD 345.6bn (+16.6% YoY), leading to a trade surplus of USD 24.3bn. The export value of computers, electrical products & parts contribute the most in the total export value, accounting for 18.5% in November and 17.6% in 11M2024, increased by 21.8% YoY in November and 26.3% YoY respectively. The import value of computers, electrical products and parts also contributed the largest weight in the total import value, accounting for ~28% of the total in November and in 11M2024.

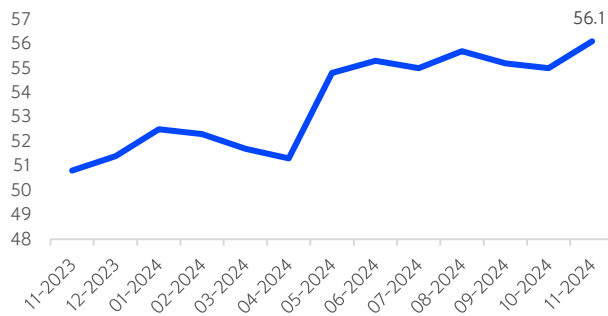
Total trading turnover (USD bn)



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 2025.

US service PMI



Source: S&P Global, Shinhan Securities Vietnam

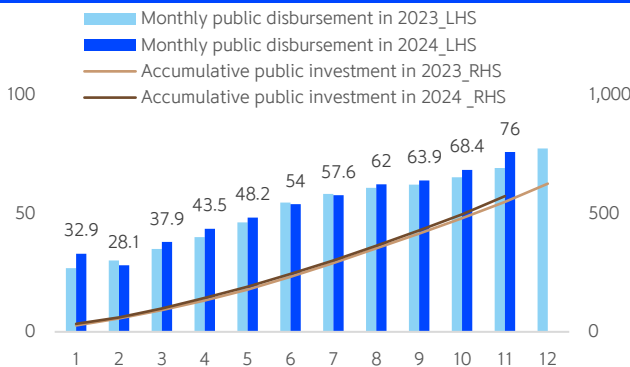
EU GDP growth rate (% - QoQ)



Source: EuroStat, Shinhan Securities Vietnam

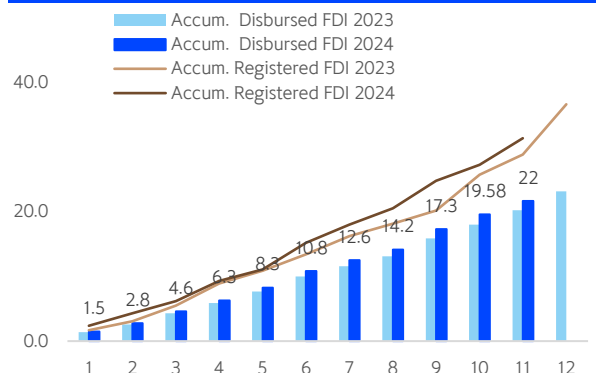
Disbursed investment capital from the State budget in November is estimated at VND 75.9 trillion, increasing by 9.7% YoY. In 11M2024, the disbursed investment capital from the State budget is estimated at VND 571.9 trillion, equal to 73.5% of the annual plan and up 2.4% YoY. In 11M2024, registered FDI reached USD 31.4bn, increasing by 8.8% YoY. Disbursed FDI also increased by 7.1% YoY, reaching about USD 21.7bn.

Public investment (VND trillion)



Source: GSO, Shinhan Securities Vietnam

FDI (USD bn)

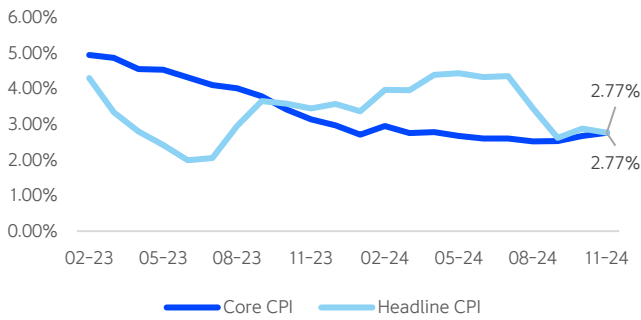


Source: Fiiipro, Shinhan Securities Vietnam

Inflation

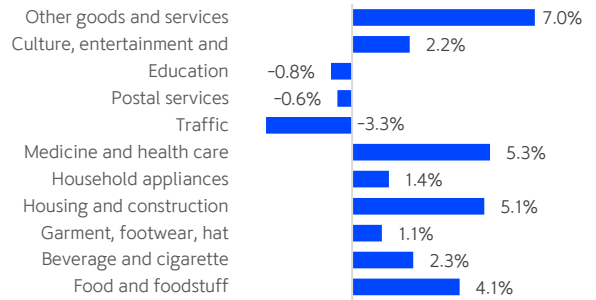
Headline inflation slightly decreased compared to the last month. Headline inflation recorded an increase of 2.77% YoY in November 2024. The slight MoM (13bps) increase of CPI in November was due to the increase of electricity price and housing price. Excluding food, electricity, education services, healthcare services and gasoline costs, core inflation increased by 2.77% YoY. In 11M2024, the average CPI increased by 3.69% YoY, core inflation increased by 2.70% YoY.

Monthly Consumer price index (YoY)



Source: GSO, Shinhan Securities Vietnam

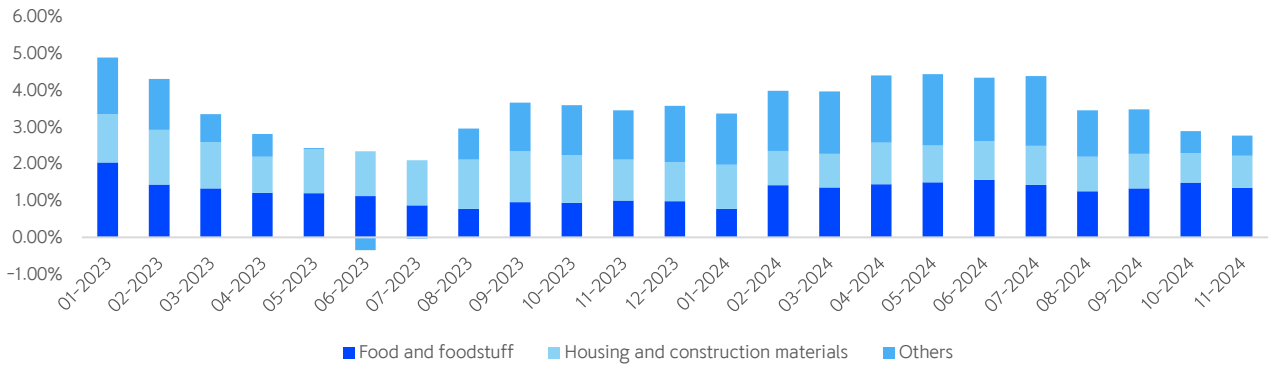
CPI component in November (YoY)



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 housing price increased due to the gradual warmed real estate market.

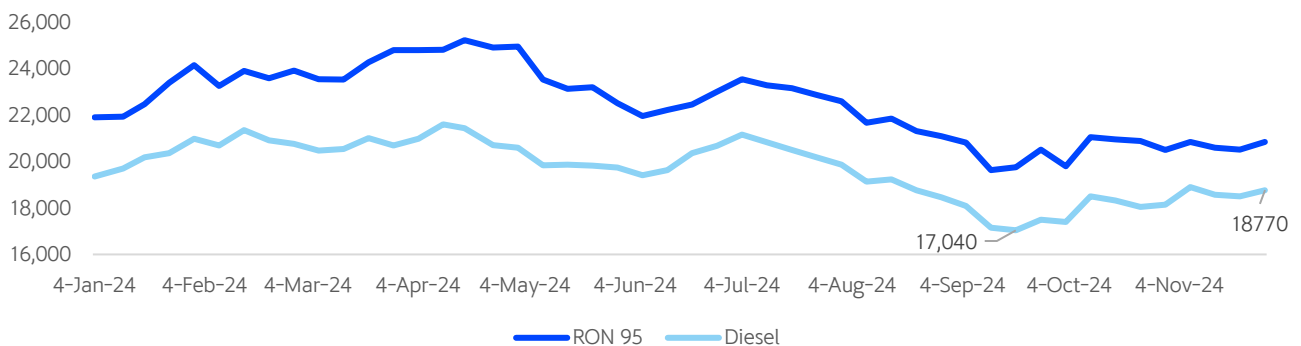
Contribution by components in CPI



Source: GSO, Shinhan Securities Vietnam

In November, diesel petrol maintained stable prices, only slightly declining by 0.07% MoM increase in the transportation basket. The transportation accounted for 9.6% weight of CPI.

Petrol Price (VND/liter)

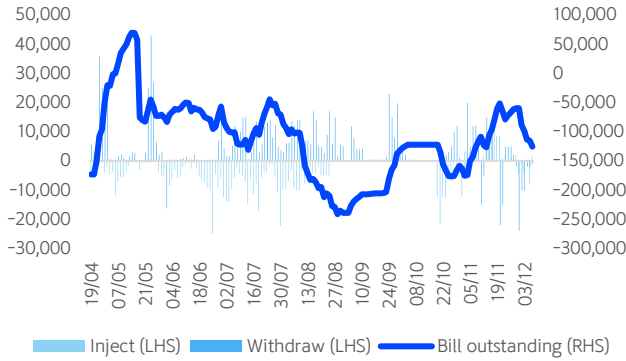


Source: Shinhan Securities Vietnam

Money market

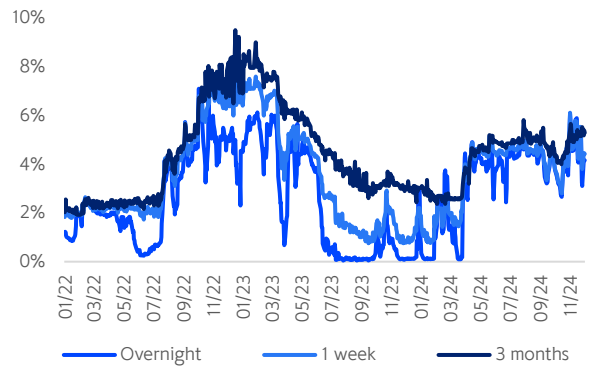
SBV has taken the intervention measures such as withdrawing money from the system and selling USD to cool down the exchange rate since 22 October. These measures have been effective. The VND/USD exchange rate in the free market after reaching the high of VND 25,700 per USD, slightly decreased to VND 25,650 per USD in the last week of November and maintained at that level in December.

Open market operation (VND billion)



Source: SBV, FiinPro, Shinhan Securities Vietnam

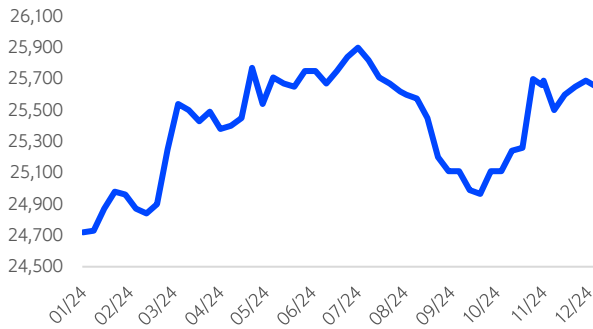
Interbank interest rate



Source: SBV, FiinPro, Shinhan Securities Vietnam

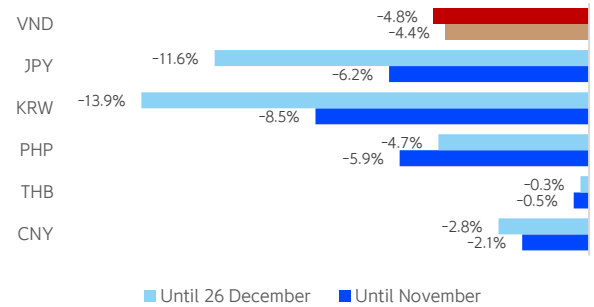
The exchange rate increased rapidly in October. Until 26 December 2024, VND depreciated 4.8% against the US dollar. DXY increased sharply because the global investors believed that Mr. Trump's policies will make the dollar stronger than other currencies. Many Asian currencies depreciated against US Dollar in 2024.

VND/USD exchange rate on free market



Source: Fiinpro, Shinhan Securities Vietnam

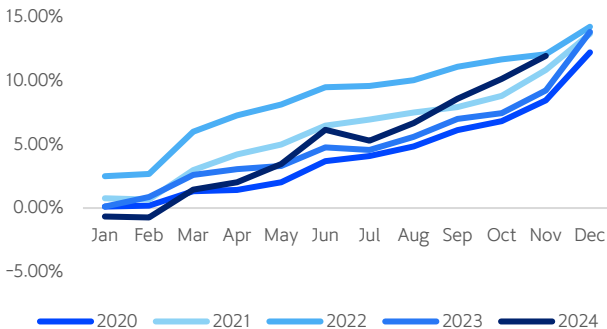
Depreciation against USD in some countries



Source: Bloomberg, Shinhan Securities Vietnam estimate

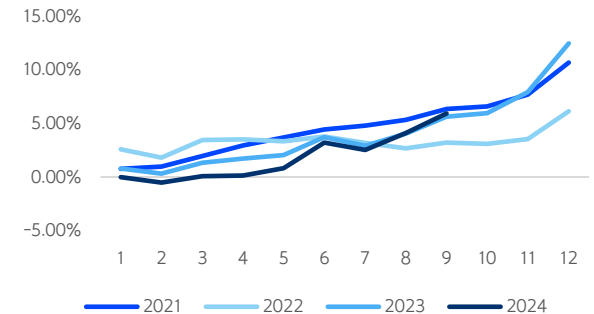
The credit growth reached 11.9% YTD in November 2024. The target of 15% credit growth in 2024 is achievable. The credit demand from the manufacturing was a driver for the credit growth.

Credit growth rate



Source: SBV, FiinPro, Shinhan Securities Vietnam

M2 money supply growth (YTD)

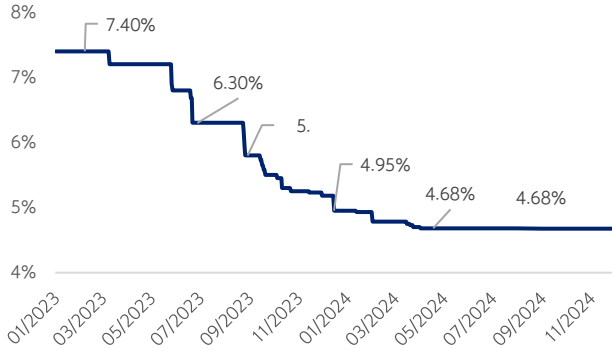


Source: SBV, FiinPro, Shinhan Securities Vietnam

Money market

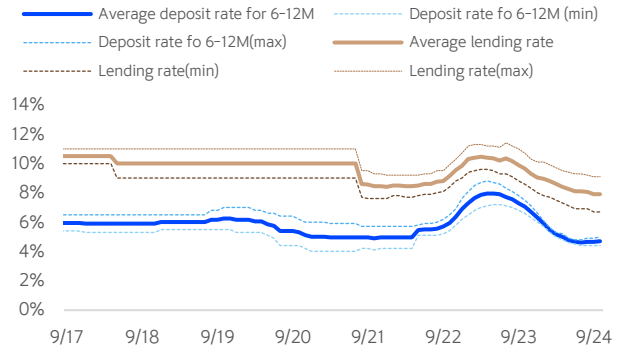
Average 12M deposit rate of SOCBs remained flat since April at 4.68% while the average lending rate had a decreasing trend. The average lending rate declined from 8.4% in April to 7.9% in November, decreasing 50 bps. The current situation shows that some banks will have a declining NIM ratio in their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