

Vietnam Economic Update

April 12th, 2024

Positive economic growth in 2024Q1, risk of hotter-than-expected inflation

GDP 2024Q1 increased by 5.66%YoY backed by the recovery of manufacturing sector

GDP growth in 2024Q1 was estimated at 5.66%YoY, higher than the growth rate of first quarter in period 2020-2023. Of which, the agriculture, forestry and fisheries sector grew steadily at 2.98%; both industrial and construction sector, service sector increased by over 6%, reaching 6.28% and 6.12%, respectively.

Industrial production prospered and continued its growth momentum from the last quarters of 2023, reached 6.18%YoY in 2024Q1 (while it decreased by 0.73% in same period last year), contributing 2.02 percentage points to the general growth of the economy. Meanwhile, the growth rate of service sector was lower than expected due to slowing domestic consumption. Total retail sales of goods and services in 2024Q1 increased by 8.2%YoY and only reached 5.1%YoY if excluding the price factor, which is a low level compared to pre-epidemic period (average growth of retail sales of first quarter in period 2015-2019 was around 10%). In contrast, tourism recovered strongly with travel revenues in 2024Q1 increasing by 46.3%YoY, positively contributing to the growth of service sector. During the first quarter of 2024, Vietnam welcomed 4.6 million international visitors (+72%YoY and +3.2% compared to the same period in 2019, pre-epidemic year).

GDP growth in 2024Q1 was quite equal to the high growth scenario (6.5% for 2024) according to Resolution No. 01/NQ-CP dated January 5, 2024 of the Government. However, we maintain our GDP forecast in 2024 at 6% when service sector's growth showed signs of slowing. Continuously promoting public investment; maintaining low interest rate to stimulate credit demand; and accelerating legal instructions for the Land Law to restore real estate market could be important driving forces for GDP growth in the following quarters.

Inflation still under control but pressures would be greater in coming time

Average CPI of 2024Q1 increased by 3.77%YoY mainly due to the increase in price of foods, gasoline, medical and educational service while average growth of core inflation was lower, at 2.81%YoY. Although inflation is still under control but it will be under more pressures in the near future when (1) prices of foods, gasoline and some other items may continue to increase due to political tensions and extreme weather; (2) impact from two times of increasing electricity price by EVN in 2023 (total increase of 7.5%) and expected to continue rising in 2024; (3) implement wage reform in public sector and increase the regional minimum wage (by 6%) at the same time on July 1, 2024.

Exchange rates soared after US inflation data, SBV ready to intervene

On April 10, US CPI of March was announced at 3.5%YoY (higher than experts' expectation at 3.4%YoY) and maintained an upward in the first three months of 2024 instead of a downward to target 2%, causing a concern on possibility of Fed's rate cut in June but soothed after that by lower-than-expected PPI data. A day after, ECB also decided to keep its interest rate unchanged at a record high of 4% and signaled that the first interest rate cut may take place in June while expectation on Fed's action is pushed to September.

US Dollar Index (DXY) jumped 1% to 105.2 on April 10 and currently maintains around this threshold. Accordingly, SBV continuously adjusted central exchange rate to 24,082 VND/USD (+0.91%YTD) as of April 12, 2024, while USD selling price at Vietcombank recorded at 25,170 VND/USD (+3.07%YTD). Although exchange rate has increased rapidly, VND only depreciated by 3%YTD compared to the 3.74% YTD increase of DXY. Therefore, SBV may not need to sell foreign currency reserves (over USD100 billion) at the moment, but it is ready to intervene to stabilize exchange rate. Previously, SBV withdrawn over VND 171 trillion on open market in March 2024 in the context of abundant liquidity of banking system and started to pump back on April 8, 2024.

Vietnam Macroeconomics Update – March 2024

Indicators	03/24	02/24	01/24	12/23	11/23	10/23	09/23	08/23	07/23	06/23	05/23	04/23	03/23
CPI (YoY)	3.97%	3.98%	3.37%	3.58%	3.45%	3.59%	3.66%	2.96%	2.06%	2.00%	2.43%	2.81%	3.35%
CPI (MoM)	-0.23%	1.04%	0.31%	0.12%	0.25%	0.08%	1.08%	0.88%	0.45%	0.27%	0.01%	-0.34%	-0.23%
PMI	49.90	50.40	50.30	48.90	47.30	49.60	49.70	50.50	48.70	46.20	45.30	46.70	47.70
IIP (YoY)	4.1%	-5.9%	18.9%	5.8%	5.0%	4.4%	2.9%	3.5%	3.7%	1.8%	0.5%	-2.4%	-2.0%
IIP (MoM)	20.0%	-18.0%	-4.4%	0.1%	3.0%	5.5%	0.1%	2.9%	3.9%	2.0%	2.2%	3.6%	9.6%
Retail sales growth (YoY)	9.2%	8.5%	8.1%	2.6%	10.1%	7.0%	7.5%	7.6%	7.1%	6.5%	11.5%	11.5%	13.4%
Export turnover (USDbn)	34.01	24.69	34.53	31.47	31.12	32.25	30.68	32.76	30.07	29.45	28.04	27.86	29.71
Import turnover (USDbn)	31.08	23.30	30.91	29.40	29.58	29.52	28.48	29.32	27.00	26.36	26.04	25.21	28.32
Trade balance (USDbn)	2.93	1.38	3.62	2.07	1.54	2.73	2.20	3.44	3.07	3.09	2.00	2.65	1.39
Disbursed FDI (YTD, USDbn)	4.63	2.80	1.48	23.18	20.25	18.00	15.91	13.10	11.58	10.02	7.65	5.90	4.32
Registered FDI (YTD, USDbn)	6.17	4.29	2.36	36.61	28.85	25.76	20.21	18.15	16.24	13.43	10.86	8.88	5.45
Public investment (VND trillion)	36.74	28.08	32.93	77.35	69.14	65.17	62.10	60.84	58.24	54.48	46.22	40.05	34.88
Credit growth (YTD)	n.a	n.a	-0.68%	13.78%	9.19%	7.41%	6.96%	5.57%	4.54%	4.73%	3.27%	3.03%	2.58%
Deposit by public growth (YTD)	n.a	n.a	n.a	n.a	10.32%	9.95%	9.95%	9.68%	8.93%	8.82%	8.21%	7.96%	7.08%
Overnight interbank interest rate	2.51%	1.46%	1.00%	0.97%	0.14%	0.81%	0.19%	0.16%	0.19%	0.44%	3.90%	4.12%	1.12%
Avg. Deposit rate 12M term of SCBs	4.70%	4.78%	4.93%	4.95%	5.18%	5.25%	5.50%	5.80%	6.30%	6.30%	6.80%	7.20%	7.20%
10-Y Government bond yield	2.75%	2.46%	2.42%	2.39%	2.49%	3.07%	2.84%	2.72%	2.56%	2.75%	3.27%	3.36%	3.42%
Selling USD/VND on free market	25,470	25,430	25,000	24,770	24,650	24,600	24,450	24,220	23,720	23,630	23,500	23,460	23,520

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

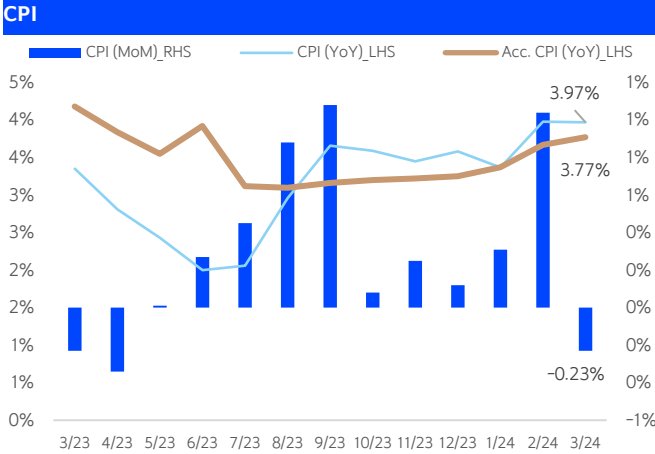


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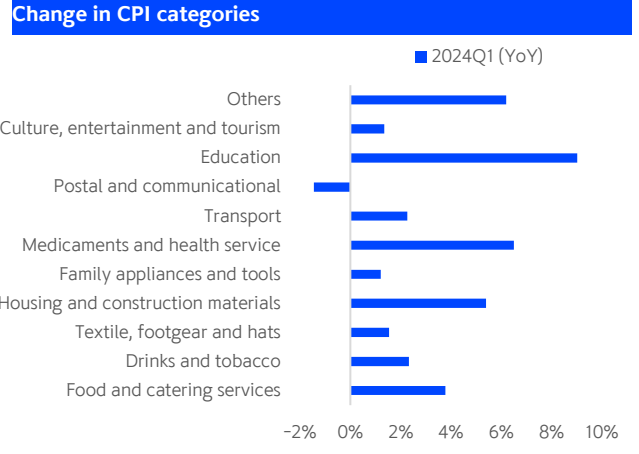
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Economic Growth and Inflation

CPI in March 2024 decreased by 0.23%MoM but it increased by 3.97%YoY. Average of 2024Q1, CPI increased by 3.77%YoY due to a number of reasons (1) rice price increased by 21.71%YoY, (2) domestic water and electricity price indexes both increased by 10.58%YoY and 9.38%YoY, respectively; (3) prices of drugs, medical services and education services increasing as plan.

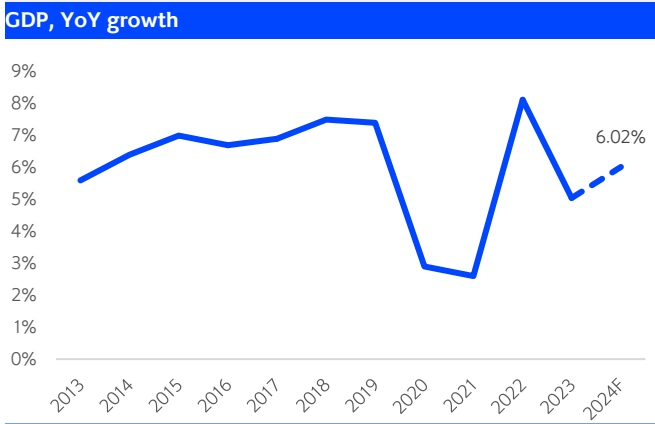


Sources: GSO, Shinhan Securities Vietnam

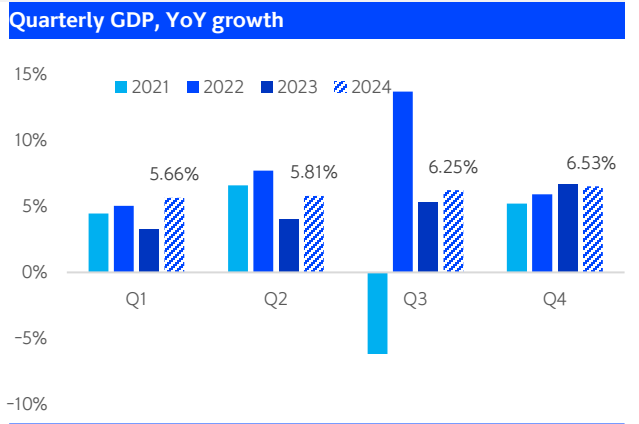


Sources: GSO, Shinhan Securities Vietnam

Continuing recovery momentum from 2023Q3, GDP 2024Q1 grew dramatically by 5.66%YoY, the highest in the last 4 years. However, domestic consumption showed signs of slowing, so we maintain our estimate of 2024 GDP growth at 6%.

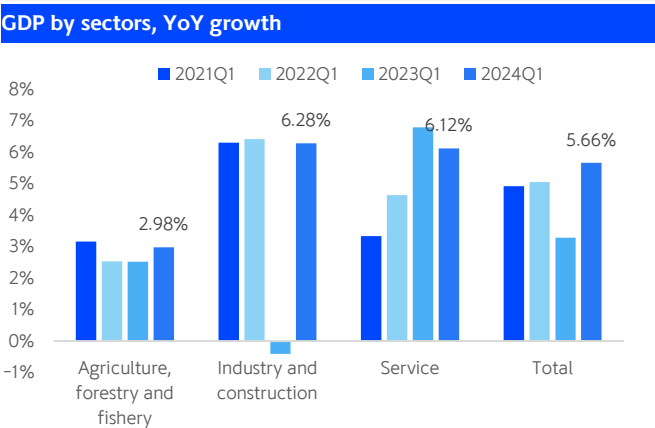


Source: GSO, Shinhan Securities Vietnam

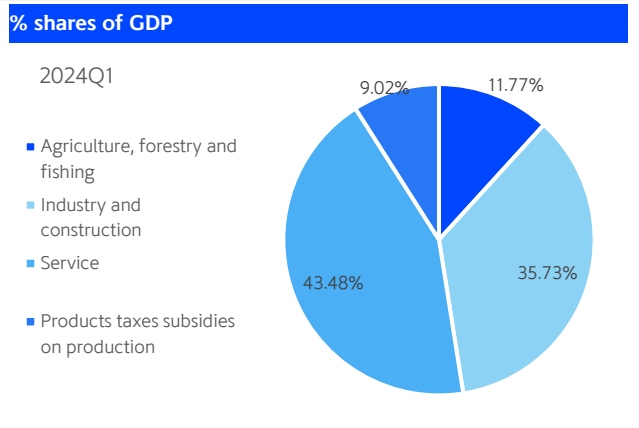


Source: GSO, Shinhan Securities Vietnam

Industrial and construction sector is the main growth driver in 2024Q1, contributing 2.02% to overall growth rate thanks to manufacturing flourishing and continuing its growth momentum since late 2023, while agricultural and services sector maintained their stable growth.



Source: GSO, Shinhan Securities Vietnam

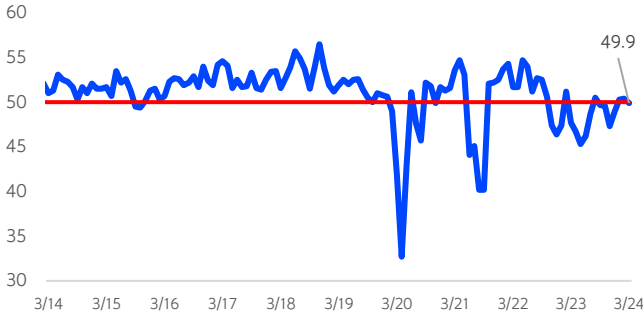


Source: GSO, Shinhan Securities Vietnam

Manufacturing, Trade and Investment

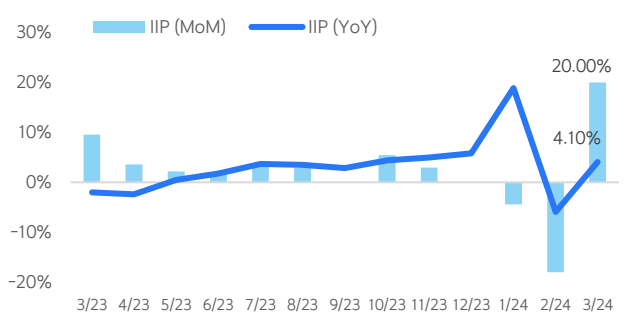
Industrial production continues to prosper in 2024Q1. IIP in March 2024 increased by 20%MoM and 4.1%YoY, accumulated IIP of 3M2024 increased by 5.7%YoY. PMI in March fell below the threshold of 50, reaching 49.9, after two consecutive months of improvement reflecting lower demand, causing output and the number of new orders to decrease, however, businesses are still optimistic that manufacturing growth returns in the coming months..

Manufacturing Purchasing Managers' Index (PMI)



Sources: S&P Global PMI, Shinhan Securities Vietnam

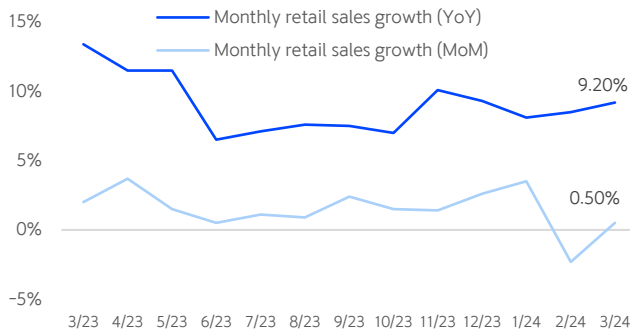
Index of Industrial Production (IIP)



Sources: GSO, Shinhan Securities Vietnam

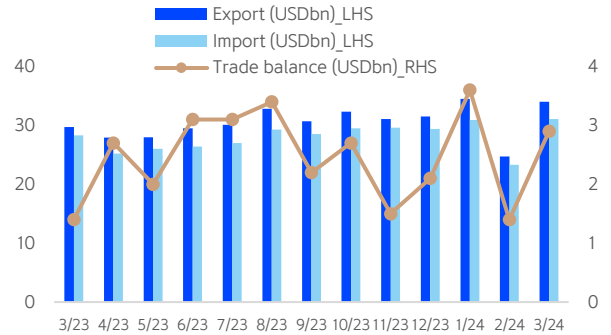
In the first quarter of 2024, thanks to demand recovery, exports recorded a strong increase of 17%YoY, reaching USD 93 billion, helping the trade surplus increase to USD 8.08 billion. Total retail sales of goods and consumer services increased by 8.2%YoY but lower than the average Q1 growth rate in pre-epidemic period (2015-2019) and reaching VND 1,537.6 trillion at current prices.

Retail sales of goods and services



Sources: GSO, Shinhan Securities Vietnam

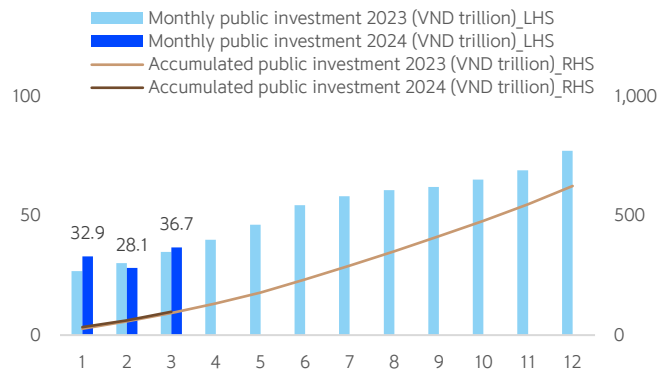
Import-Export turnover



Sources: GSO, Shinhan Securities Vietnam

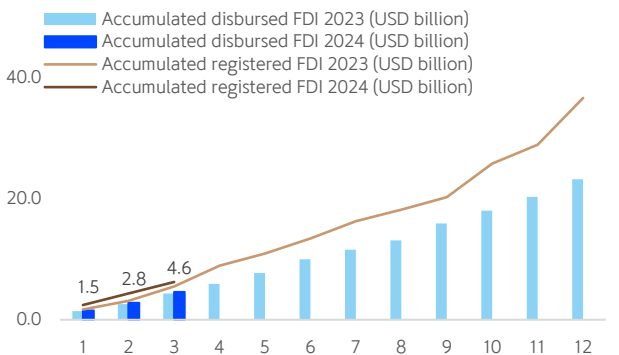
Public investment in 2024Q1 was estimated at VND 97.7 trillion (+3.7%YoY, equivalent to 3.9% the year target) and foreign direct investment (FDI) recorded a positive growth with registered/disbursed value of USD 6.17 billion (+13.4%YoY) and USD 4.63 billion (+7.1%YoY), respectively.

Public investment



Sources: GSO, Shinhan Securities Vietnam

Foreign direct investment (FDI)

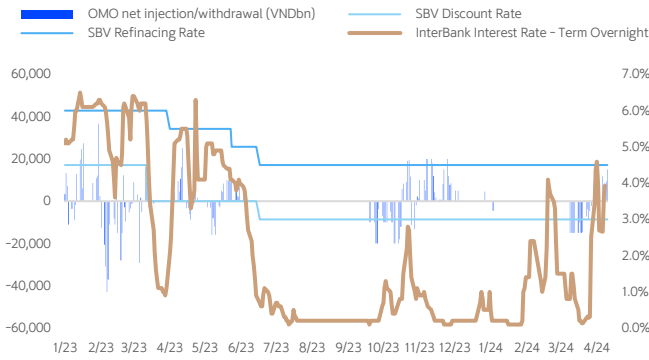


Sources: MPI, Shinhan Securities Vietnam

Monetary Market

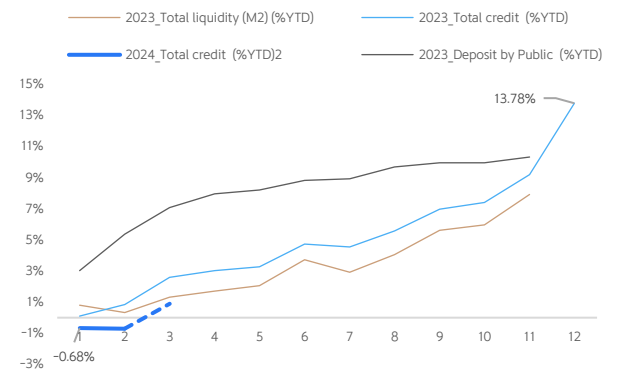
SBV returned to net withdraw on open market with total value over VND 171 trillion in March 2024, and the first batch of T-bills began to be pumped back into the system on April 8, 2024. Although credit growth was negative in the first two months of the year, it returned to increase positively in March 2024 according to Ho Chi Minh City Branch of SBV, making liquidity less abundant and pushing up overnight interbank interest rates to approximately 4% at the current.

Open market operation (OMO)



Sources: SBV, FiinPro, Shinhan Securities Vietnam

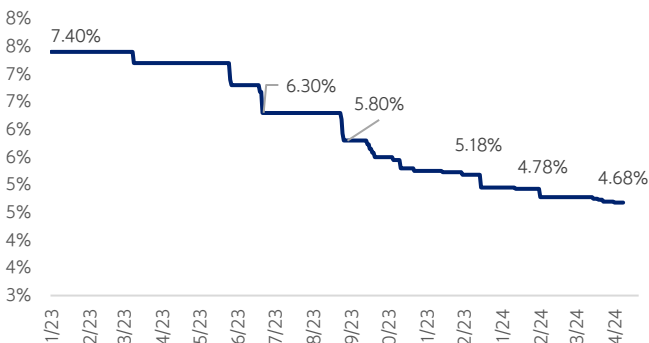
Money supply and credit



Sources: SBV, FiinPro, Shinhan Securities Vietnam

Interest rates continue its downward trend, in which, average 12-month deposit interest rates at SOCBs decreased by 0.28% in 2024Q1 and lending interest rates decreased by 0.25% in 2M2024 to 7.7% - 9.9% p.a.

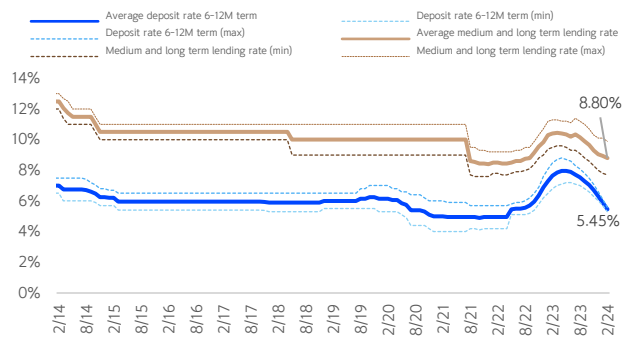
Deposit rate 12M term at SCBs



Sources: FiinPro, Shinhan Securities Vietnam

SCBs: Vietcombank, Vietinbank, Agribank and BIDV

Average deposit rate and lending rate

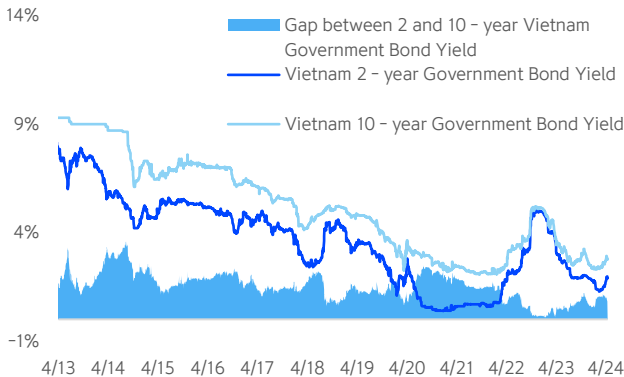


Sources: SBV, FiinPro, Shinhan Securities Vietnam

Average rate is average of min rate and max rate.

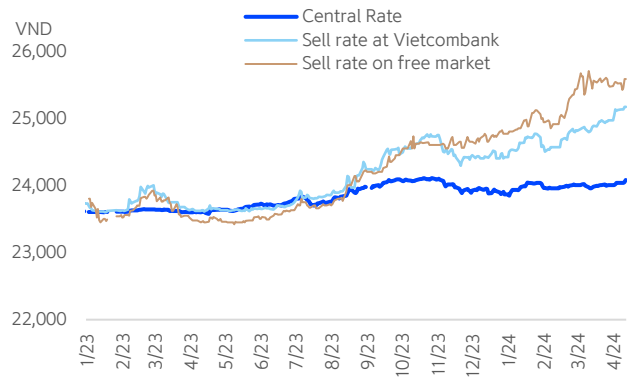
Exchange rate at banks simultaneously exceeded 25,000 VND/USD in early April 2024 and increased by 3.07%YTD as of April 12, 2024. Government bond yields also increased at all terms from the middle of March 2024, of which, 10-year term yield toward 3% threshold.

Government bond yield



Sources: SBV, FiinPro, Shinhan Securities Vietnam

Exchange rate USD/VND



Sources: SBV, FiinPro, Shinhan Securities Vietnam

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