Monthly Updates on Macroeconomics and Financial Market

Hanoi, April 2024

Prepared by Economic and Financial Market Analysis Team

BE GREATER

The US economic resilience and the expected EU rebound in 2024 would further support the moderate recovery of Vietnam

Section 1

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Executive Summary

Global Economy:

- *Contrary to the resilience of global economic growth, global goods trade was damaged as US and EU import data showed a significant slowdown in 2023 across different aspects. Yet, thanks to a better global economic outlook, including an improved economic growth forecast and moderate global inflation, both the UN and WTO are projecting a more optimistic picture for trade in 2024.*
- *We reaffirm our view that the US will not fall into a recession. However, the economy is expected to linger its cooling growth momentum until the third quarter before the growth picks up again, buoyed by the consumer spending component.*
- *Although the Fed held its stance on the 75-bps rate cut this year in March's meeting, more of the Fed's officers shared a hawkish view. We believe the Fed's first rate cut could occur later in September, and/or the Fed would cut rates only twice this year due to the expectation of a very "bumpy" road for inflation towards the 2% target.*
- *EU economic performance has bottomed out and is expecting a gradual recovery, primarily driven by consumer spending. Given the potential economic underperformance, we are confident that core inflation will not be under much pressure as it reached the 25-month low, which would allow the ECB to cut its policy rate soon.*

Vietnamese Economy:

- *Amidst the US resilience and expected EU rebound in 2024, Vietnam's 1Q24 trade activities have shown a significant recovery with exports and imports expanding by 17% and 13%, respectively.*
- *Given the recovery of exports and the stronger domestic and international demand in 1Q24, the industrial sector experienced a robust recovery in March with the IIP rose by 5.7% YoY.*
- *Vietnam's GDP growth registered at 5.66% YoY in 1Q24, primarily contributed by the recovery of manufacturing, industrial and construction sectors. We expect 2024 GDP growth would be around 6.0% YoY, with key drivers coming from manufacturing sector's recovery, the strong public investment disbursement, and the positive domestic demand.*
- *Foreign investors are becoming more optimistic about Vietnam's economic outlook thanks to the significant rise of 36% YoY in 1Q24 newly registered FDI and Vietnam's flexible foreign policy trends.*
- *Recoveries have been observed in the job market and international tourism, which would further boost consumer demand. Given the increased consumer demand, 2024 average inflation is estimated to be in the range of 3.8 - 4.2% and remains within the Government's target.*
- *VND faces the depreciating pressure in 1H24, but it is expected to appreciate in the later months of 2024. Deposit rates are expected to remain low in 1H24, and they would naturally increase due to economic recovery.*

Section 2

Global Economy

Given US resilience and expected EU rebound in 2024, we expect global trade to recover moderately. In addition, ECB's policy rate cut is forecast to happen earlier than Fed's, based on better inflation observations and underheating economic performance.

Contrary to the resilience of global economic growth, global goods trade was damaged. Yet, it is expected to recover modestly in 2024

Despite the global economic resilience in 2023, especially for the US, Eurozone (EU), and China, global goods trade has surprisingly slowed down. As world exports to the US, Germany, and the Netherlands roughly accounted for 23% of total world trade, the breakdown of seasonally adjusted US import data shows a significant slowdown in 2023 compared to 2022 across different categories such as foods & beverages (-4%), industrial supplies (-16%), capital goods (-1%), and consumer goods (-10%). Meanwhile, EU import data also exhibit a clear decreasing trend throughout 2023 in all aspects of goods. According to the World Trade Organisation (WTO), merchandise export and import volumes were down 0.8% and 1.9% year-over-year (YoY), respectively in 9M23, and have not experienced a strong recovery yet, as the WTO also just downwardly revised their forecasts for trade volume growth in both 2023 (from 1.7% to 0.8%) and 2024 (from 3.3% to 3.2%, given 2023 low base).

Figure 1: EU's Import volume indices

(Seasonal & calendar adjusted, 2015=100)

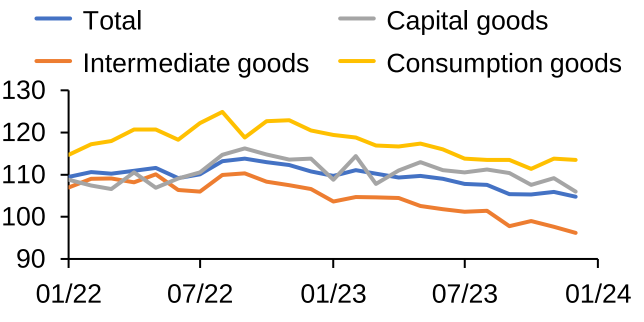
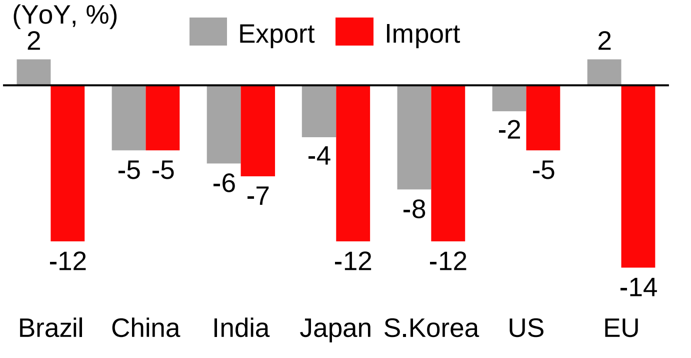


Figure 2: Export and import growth in 4Q2023

(YoY, %)



Meanwhile, some countries have been witnessing slight improvements. Quarter-over-quarter (QoQ) export and import growth rates in China, India, South Korea, and Brazil turned positively in the last quarter of 2023. Seasonally adjusted US import value in January has slightly surpassed average monthly data for 2023, especially in foods and beverage, capital goods, and automotive vehicles. Thanks to a better global economic outlook, including an improved economic growth forecast and moderate global inflation, both the United Nations (UN) and WTO are projecting a more optimistic picture for trade in 2024.

Source: WTO, UN, World Integrated Trade solution

Global Economy *(Cont.)*

Particularly, in the latest WTO's report, import values of North America and Europe, previously characterised by negative growth rates in 2023, are forecast to grow by 2.2% and 3.3% in 2024, respectively. This trend aligns with the drastic improvement in Asian countries' exports whose growth is expected to significantly rise from 0.6% in 2023 to 5.1% in 2024. Yet, these forecasts are subjected to significant uncertainties, including potential commodity price volatility, trade policy, geopolitical tension, and shipping route disruptions.

Figure 3: WTO's Merchandise import forecast

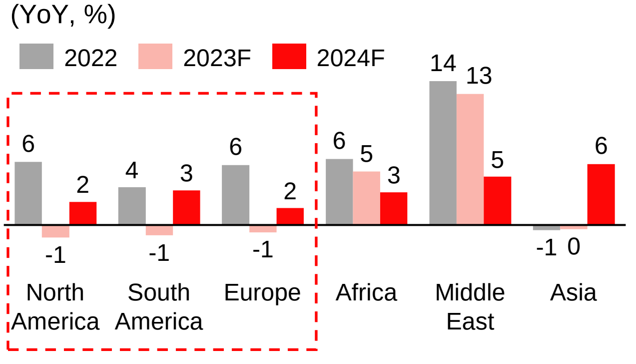
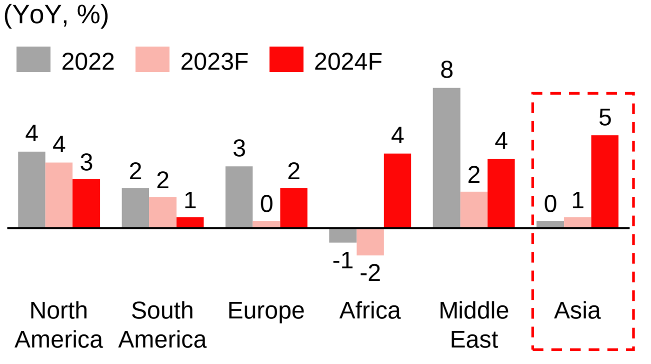


Figure 4: WTO's Merchandise export forecast



The US shall avoid a recession, yet the growth would linger its cooling momentum until 3Q2024 before picking up strongly again

Aforementioned expectations of the global trade recovery solely depend on the assumption of strong demand rebound in 2024, particularly demand for imported goods in advanced economies such as the US and EU. Unfortunately, despite the slight improvement in US imports in January, seasonally adjusted value of imported consumer goods was still 2% below 2023 average and 11.4% below 2022 average. Given the belief in the improved global trade, there would be a room for further increases in consumer goods demand in the second half of 2024.

We reaffirm our view that the US would not fall into a recession. However, the economy is expected to linger its cooling growth momentum until the third quarter before the growth would pick up again, buoyed by the consumer spending component. This perspective is backed up by recent retail sales growth in February which missed economists' expectations, while January's data was revised downwardly for the fourth consecutive time. The constant revision is likely to stem from the decrease in real income. Month-over-month (MoM) growth rate of real disposable personal income fell by 0.1% in February, following a no growth in January, while the YoY figure was only 1.7% in February, compared to 4.2% in December.

Sources: Financial Times, US BEA, BLS, Bloomberg, WTO

Global Economy *(Cont.)*

Figure 5: US's outlook forecast by Bloomberg

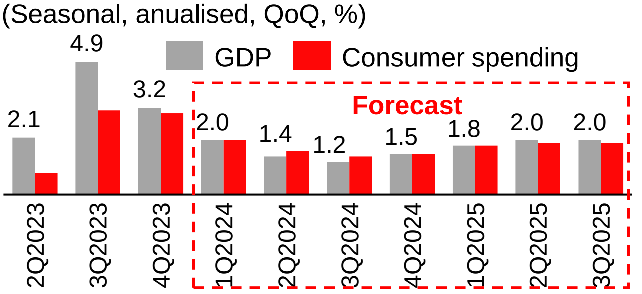
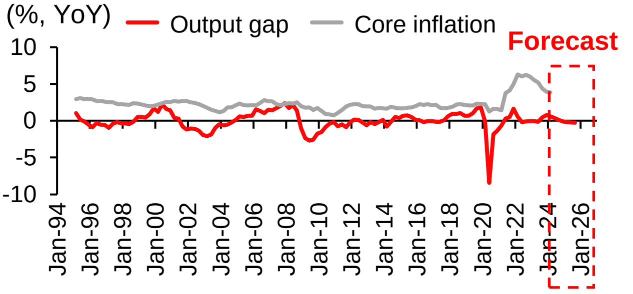


Figure 6: US output gap and core inflation



Fed holds its stance on 75bps rate cut this year in March's meeting

Nevertheless, those slowdowns are not enough to convince the Federal Reserve (Fed) to cut its policy rate as early as the market anticipated at the beginning of this year. Notably, both January and February headline inflation outperformed market forecasts, and other economic indicators are pointing at an optimistic outlook for the US, such as the recent surprising ISM Purchasing Manager index (PMI) outcome. Cutting 75 basis points (bps) this year is still the base case, according to the latest Summary of Economic Projection (SCP). Regarding the timeline of the first rate cut, the upcoming data still plays a crucial role in whether it could occur as early as the market expected (around June/July) or much later than that as some economists believe.

We believe the Fed's first rate cut could occur later in September, and/or Fed would cut rates only twice this year due to the expectation of a very "bumpy" road for inflation towards the 2% target

We believe the Fed's first rate cut would take place in September meeting, and/or Fed would cut only twice this year. Our view is indeed conservative, as it is built on the belief that there is a very "bumpy" road for inflation towards the 2% target. Specifically, our own calculation of the output gap, which measures how actual output is performing against its potential, indicates a prolonged overheating stage of the US economy (when actual output is more than potential output, resulting in a positive output gap value). More importantly, we expect this phenomenon to persist at least until 3Q24, which could subsequently fuel core inflation according to the traditional Phillip's curve economic theory. Additionally, fading disinflation of goods, slow disinflation of shelter costs, and great uncertainty of commodity prices such as oil shall impact US headline inflation. Particularly, the world crude oil price, which would surely impact US inflation again this month, has increased by roughly 16% year to date (YTD) and 5% MoM on average in March. Accordingly, if the headline CPI rises to 3.4% YoY as forecast by Trading Economics, inflation will increase for the second month in a row, moving further away from Fed's target rate.

Sources: Financial Times, US BEA, BLS, Bloomberg, Refinitiv, TCB Analysis calculation

Global Economy *(Cont.)*

More Fed's officers shared a hawkish view in the recent meeting

The latest SCP changes are also in line with the hawkish view of some Fed officers, as many forecast key indicators signal a stronger economy and higher inflation. Particularly, forecasts of GDP growth in 2024, 2025, and 2026 were all revised upwardly considerably, while core PCE inflation by the end of 2024 would be at 2.6% rather than 2.4% as previously expected. The hawkish view is clearly shown via a "dot plot" which measures Fed officers' assessments of an appropriate monetary policy. As a result, more participants have voted for a higher target rate in March's meeting than in December's meeting.

Figure 7: Number of Fed officer vote for each midpoint of Fed funds target range

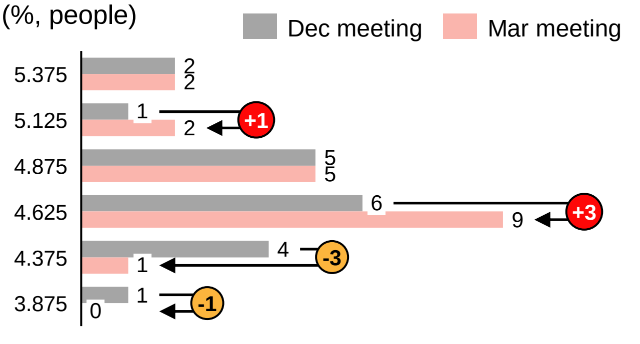
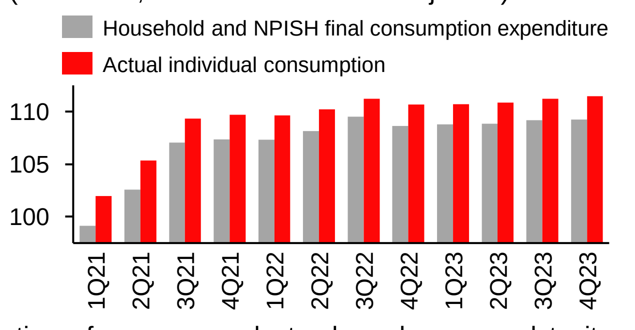


Figure 8: EU consumption index



EU economic performance has bottomed out and is expecting a gradual recovery, primarily driven by consumer spending

Despite an expectation of a more modest rebound compared to its previous forecast, the latest European Commission's economic report points out that EU economic performance has bottomed out. This perspective also aligns with the popular belief in a gradual recovery of economic activities after EU has successfully avoided a technical recession in late 2023, according to Bloomberg's survey. The key driver of this recovery, as we believe, is going to be consumer spending. With regards to several spending indicators in GDP, such as final consumption expenditure and actual individual consumption, these seasonally calendar-adjusted series both experienced a slowly improving trend throughout 2023 with an average of 0.2% QoQ growth, given the persistently low unemployment rate. In the coming time, thanks to lower living costs as a result of lower inflation, real wage increase, and the strong labour market, consumer spending is expected to continue its good performance, which fuels all economic activities.

The latest inflation data represents an undeniable fact that European Central Bank (ECB) has done a great job of cooling down inflation while minimising the impact of high interest rate on EU economy.

Sources: Financial Times, Eurostat, Bloomberg, Refinitiv. **Note**: NPISH: Non-Profit Institutions Serving Households

Section 2

Global Economy *(Cont.)*

The EU inflation rate fell to the lowest level in 28 months, while core inflation also reached the 25-month low

EU inflation rate fell to its lowest level in 28 months, from 2.6% to 2.4% YoY in March, marking the sixth month in a row that this price growth remained below the 3% level. Meanwhile, core inflation also reached its 25-month low. Inflation cooldown could stem from EU's well-prepared fight against last winter's energy crisis which was one of the main causes of EU cost-push inflation back in 2021 and 2022. At the end of Mar/24, the gas storage was 58.72% of its full capacity, about 3% higher than last year and more than double compared to 2022. Yet, Christine Lagarde continues to have a hawkish view, saying the ECB would not be able to commit to a particular path of interest rate cuts as she still worries about high wage growth and services inflation.

Given the potential economic underperformance, we are confident that core inflation shall not be under much pressure, which would allow the ECB to cut its policy rate soon

Following our calculation of the output gap, the overheating stage for EU economy was over in 4Q2023, reinforcing our stance that core inflation would not be under much pressure in the coming time and ECB's rate cuts could happen shortly, even before Fed's. The market has also been pricing in this scenario, as the probability of ECB's rate cut in June's meeting is 92.7%, compared to 64% for the Fed's. An early cut by ECB is suitable, given the significant slowdown of general prices growth, along with the expectation of a weak economic rebound.

Figure 9: EU's GDP and consumer spending

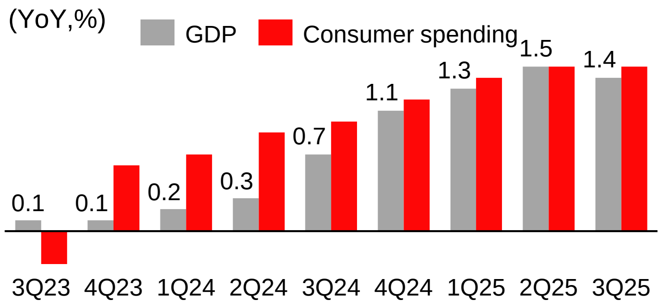
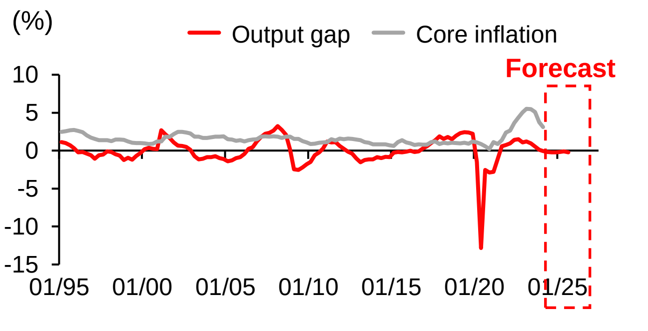


Figure 10: EU's Output gap and Core inflation



To sum up, given the US economic resilience and the expected rebound of the EU economy in 2024, we expect the demand for imported goods from these advanced economies would improve, and consequently benefit goods exports from manufacturing countries like Vietnam, China, etc. In addition, given that 57.6% of DXY is made up by the Euro and 4.2% by the Swiss Franc, the early cut of the Swiss National Bank and the potentially earlier cut of the ECB could pressure DXY to appreciate.

Sources: Eurostat, Financial Times, ENTSOG, TCB Analysis calculation

Section 3

Vietnamese Economy

Amidst the US economic resilience and EU economy expected rebound, Vietnam's 1Q24 trade activities showed recovery, coupled with improved manufacturing segment and early signals of better consumer demand. 2024 inflation is estimated to be in the range within Government target. Deposit rates are expected to remain low in 1H24, and they would naturally slightly increase due to economic recovery in 2H24

Vietnam's 1Q24 trade activities have shown a significant recovery amidst the US economic resilience and EU economy expected rebound

Vietnam's trade sector has exhibited a remarkable resurgence as it navigates through the recovery phase of the EU economy and US economic resilience. This resurgence is significantly highlighted by the year-over-year (YoY) growth observed in 1Q24, with exports and imports expanding by 17% and 13%, respectively. Particularly, imports have surged, notably from key partners like China (up 38% YoY) and ASEAN countries (up 5.9% YoY), representing substantial portions of Vietnam's total imports in 2M24. Imports of specific industries such as iron and steel, and electronic products have seen remarkable growth rates of 32% and 24%, respectively, underscoring their significant contribution to the surge in imports from China.

With the global economy on a recovery path, Vietnam's export outlook remains positive. The economic resurgence is marked by upcoming boosts in production capacities and the expectation of new export orders, as 82.9% of GSO surveyed businesses are expecting new orders in 2Q24. However, there is a likelihood that trade balance might be narrowed down due to an expected stronger import growth in the upcoming months.

Figure 11: Import growth by trade regions

(% YTD YoY)

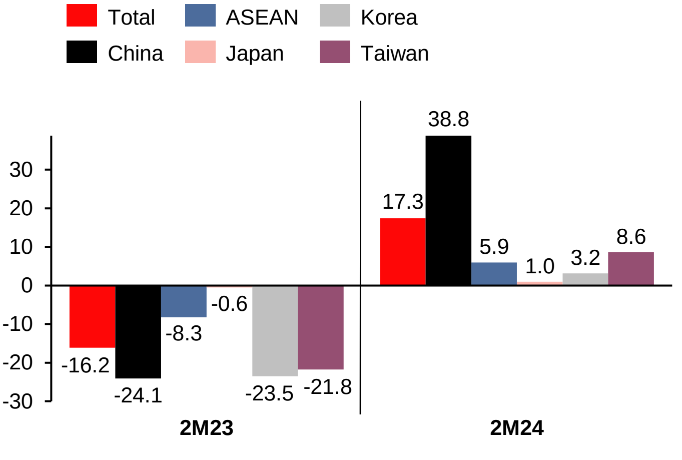
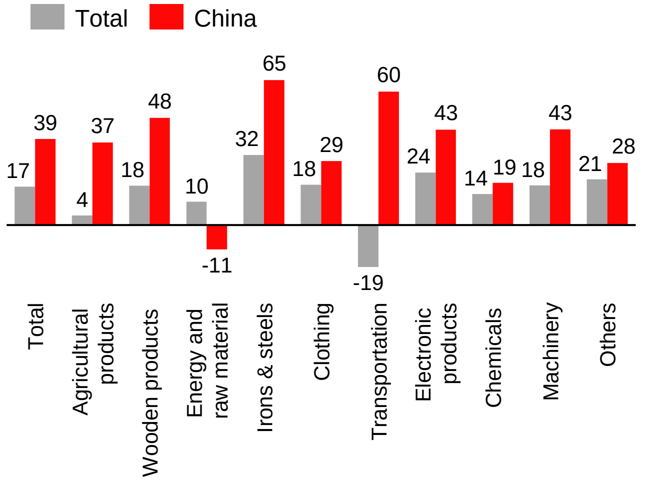


Figure 12: Import growth of key products in 2M24

(% YTD YoY)



Sources: General Statistics Office (GSO), Vietnam Customs

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Vietnamese Economy (*Cont.*)

PMI Manufacturing in March 2024 stayed at 49.9, but manufacturers exhibit the increasing confidence in future production growth

According to S&P Global, Manufacturing PMI in March 2024 registered at 49.9 in the sub-50 territory, experiencing a dip in production for the first time in three months. This decline was caused by subdued demand which resulted in lower output and fewer new orders. However, there is a positive trend of growing confidence among manufacturers regarding future production growth, with the strongest optimism recorded in 18 months. Additionally, recruitment efforts have intensified, leading to the highest employment rate since October 2022 and indicating manufacturers' preparedness for expected new orders in the upcoming period.

Figure 13: Vietnam's Manufacturing PMI

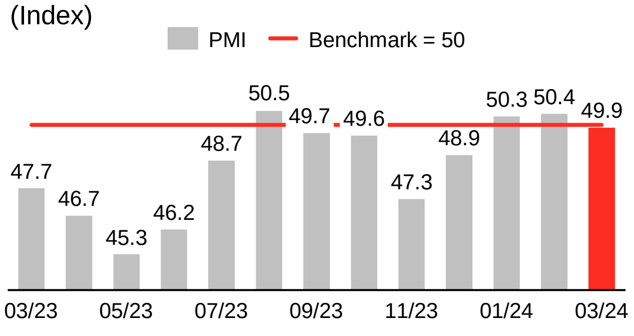
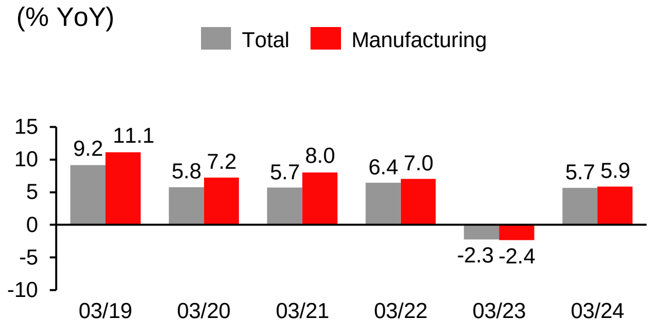


Figure 14: Vietnam's YTD IIP



1Q24 IIP grew by 5.7% YoY, which marked a rebound from 1Q23 low base

Given the recovery of exports and the stronger domestic and international demand in 1Q24, the industrial sector experienced a robust recovery in March. Index of Industrial Production (IIP) rose by 5.7% YoY based on a low base of 1Q23 (-2.3% YoY). Manufacturing sector has maintained its importance in the IIP growth, as it grew by 5.9% YoY. Among manufacturing subsectors, the production of chemical products (+28.4%), coke and refined petroleum (+21.7%), furniture (+18.1%), rubber and plastics (+25.8%), basic metals (+16.6%) and machinery & equipment (+12.4%) continued to deliver double-digit growth rates in 1Q24. Meanwhile, Vietnam's main export products, such as textiles (+14.6%), electrical equipment (+24.75%) showed good improvements. Electricity production activity, whose YoY growth was 12.13%, also made a strong contribution.

GDP steadily grew by 5.66% in 1Q24

Vietnam's GDP growth registered at 5.66% YoY in 1Q24, primarily contributed by the recovery of manufacturing, industrial and construction sectors with the growth of 6.98%, 6.8% and 6.2% respectively. In the upcoming 2Q24, according to GSO trend survey of manufacturing enterprises, 45.4% of companies anticipate a positive

Sources: GSO, S&P Global

Vietnamese Economy (*Cont.*)

trend compared to 1Q24, with 36.6% expecting stable production and business conditions, while only 18% of them predict greater challenges. The survey results, along with the aforementioned optimism of manufacturers and recent robust IIP growth, suggest a more promising economic growth in later 2024. We forecast 2024 GDP growth would be around 6.0% YoY, with an increase to around 6.1-6.2% YoY level in three following quarters. Specifically, key drivers are the manufacturing sector's recovery, the strong public investment disbursement, and the positive domestic demand.

Fiscal revenues of national budget have exhibited a consistent expansion, with the development investment disbursement expected to remain a pivotal force for propelling economic growth

Analysis of national budget revenues reveals a commendable 10% YoY increase. This increment encompasses a 5.9% YoY rise in personal income tax and a rise 9.6% YoY in domestic revenues (not including land and real estate tax), underscoring a sustained positive trajectory in economic endeavours. In 1Q24, the allocation for development investment disbursement surpassed VND 85.5 trillion and equated 12.9% of the projected annual budget (PAB). The current amount exceeded the allocations during the corresponding periods in 2023 (only 9.93% of the PAB) and 2022 (only 11.88% of the PAB), which signifies the Government's determined efforts to push disbursement.

Figure 15: 3-month State budget components

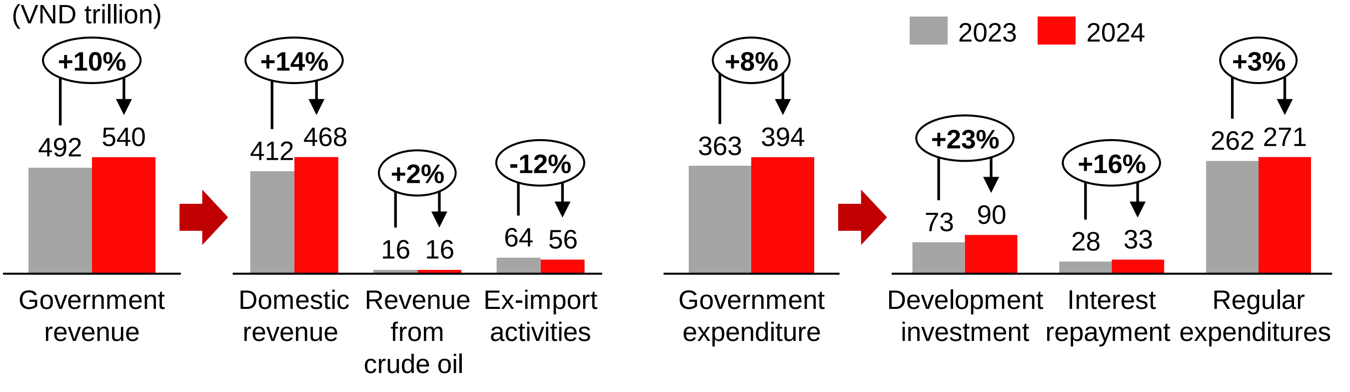
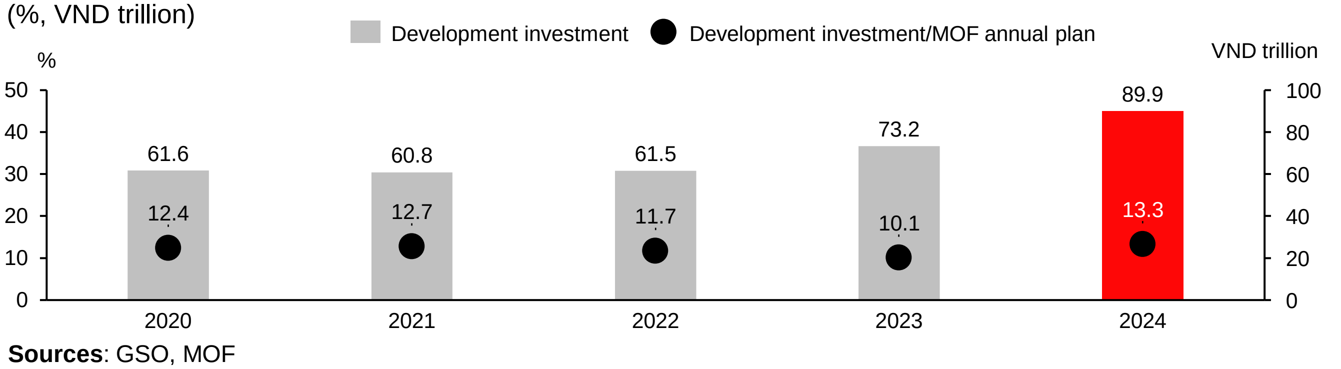


Figure 16: MOF's estimated development investment versus its annual plan



Sources: GSO, MOF

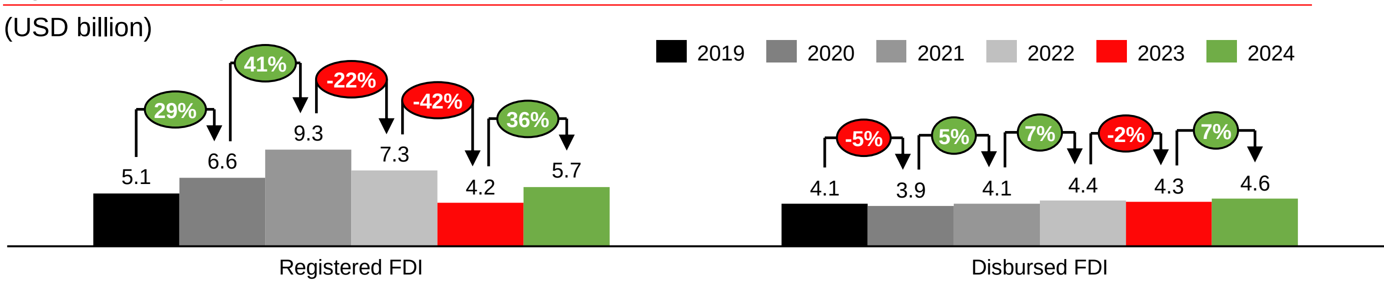
Vietnamese Economy (*Cont.*)

Remarkably, disbursements in Hanoi witnessed a substantial increase of 56% YoY, amounting to VND 8.518 trillion. In 2024, Hanoi undertook 58 transportation projects, with the Ring Road 4 - Capital Region project being a highlight and receiving an investment capital from both private and public disbursements of approximately VND 12.6 trillion with total base investment of VND 85.8 trillion. Other notable projects in Hanoi also reported disbursement rates ranging from 6.7% to 25.9%. Despite these positive signals in 1Q24, the Prime Minister issued Directive No. 24/CĐ-TTg which mandates an accelerated pace in the investment disbursements for 2024. Thus, we anticipate that the disbursement of public investments for the year would achieve 95% of the Government's plan, which is over VND 640 trillion.

Foreign investors are becoming more optimistic about Vietnam's economic outlook

Manufacturing sector is undergoing a recovery phase, and there is an increase in optimism among foreign investors regarding Vietnam's economic prospects. It is expected that the volume of newly registered Foreign Direct Investment (FDI) would be further boosted in the near future. In 3M24, the value of newly registered FDI in the manufacturing sector saw a significant rise of 24.1% YoY, reaching USD 3.8 billion. Remarkably, the real estate sector also experienced an impressive increase in newly registered FDI value, recording USD 1.5 billion (+279.5% YoY). According to GSO survey for processing and manufacturing industries enterprises, 82.2% of businesses are anticipating a QoQ improvement in production in 2Q24. Furthermore, on March 25th, a meeting between Vietnamese Foreign Minister Bui Thanh Son and US Secretary of State Antony Blinken discussed the cooperation expansion in key areas including the semiconductor industry and supply chains. Given US intention to reduce the dependence on China's manufacturing industry, this meeting has highlighted the substantial potential for attracting US corporations to invest in Vietnam.

Figure 17: FDI registration and disbursement in 3-months



Sources: GSO, MPI, U.S. Department of State

Vietnamese Economy (*Cont.*)

Figure 18: Registered FDI by sectors

(USD billion. 3 months)

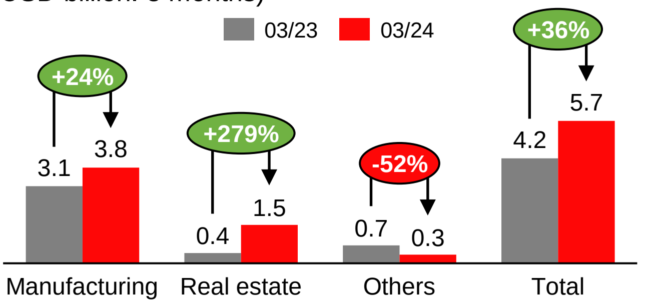
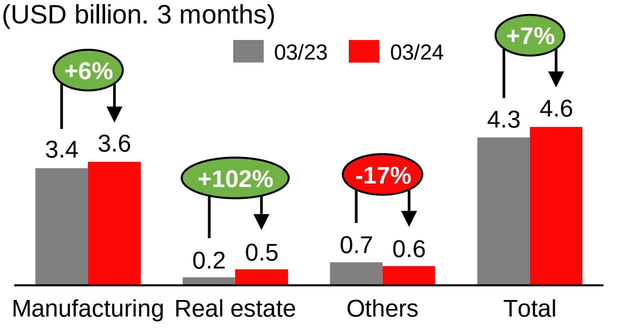


Figure 19: Disbursed FDI by sectors

(USD billion. 3 months)



Based on actual newly-registered FDI in 1Q24, alongside recent surveys among enterprises and Vietnam's flexible foreign policy trends, we posit that Vietnam continues to represent an enticing investment locale. It is believed that the momentum of newly registered FDI would sustain a robust increase in the forthcoming period.

Recoveries have been observed in the job market and international tourism, which would further boost consumer demand

Amidst a recovering economic and manufacturing landscape, there have been notable improvements in the labour market and consumer demand. The employment in enterprises has seen a significant increase of 21.9% YoY according to GSO, coupled with the expected raise about 6%-30% in base salary of officials, civil servants and public employees in 2024 (Resolution 27-NQ/TW 2018). These indicators reflect a vibrant economic revival. Correlatively, the commercial and service sector activities in 1Q24 have continued their positive growth momentum. Total retail sales of goods and services in 1Q24 reached VND 1,537 trillion, up by 8.2% YoY. Specifically, revenue from travelling services, accommodation and catering services amounted to VND 174 trillion and VND 14 trillion, respectively, marking an upsurge of 46.3% YoY and 13.4% YoY.

Figure 20: Retail sales of goods and services

(YTD, % YoY)

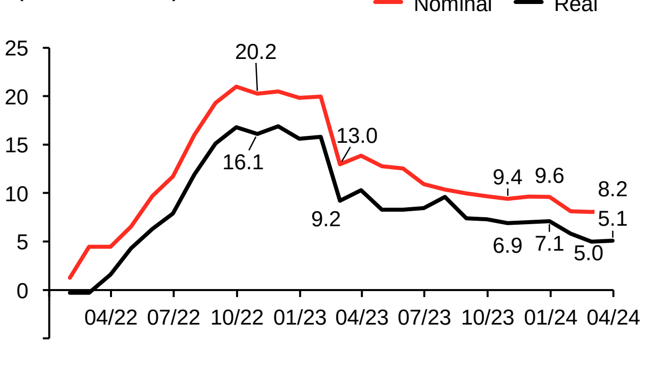
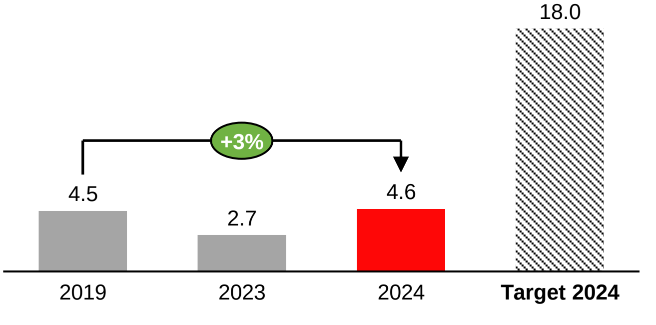


Figure 21: International tourists 1Q24

(Million tourists)



Sources: GSO, MPI, VNAT

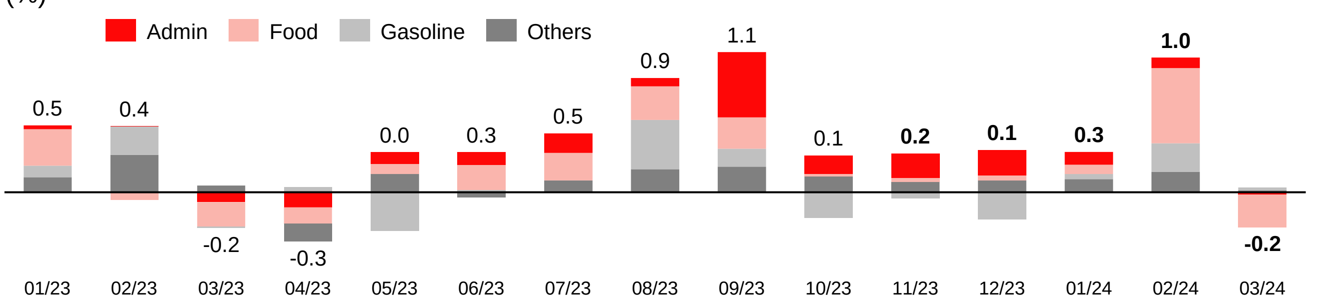
Vietnamese Economy (*Cont.*)

Vietnam welcomed 4.6 million international tourists in 1Q24, a robust growth of 72% YoY, achieving one-fourth of the target for international tourist arrivals this year. With the 2024 objective of 17-18 million international tourists, Ministry of Foreign Affairs is actively negotiating visa exemptions with 80 countries, simplifying entry and exit procedures, extending the duration of stay in Vietnam, and enhancing the tourism visa issuance. Additionally, Directive 08/CT-TTg by the Prime Minister on the comprehensive development of tourism, which proposes to include additional 33 countries, underscores the importance of promoting tourism and expanding the list of countries eligible for unilateral visa exemption. We believe that with the current pro-tourism policies, there remains substantial room for the growth of tourist arrivals to Vietnam, and it is much likely that the Government's objectives would be achieved.

2024 average inflation is estimated to be in the range of 3.8%-4.2% and remains within the Government's target

Given the increased consumer demand, we anticipate that headline inflation would rise to 4.1% in 2024, indicating higher inflationary pressures compared to 2023 level at 3.25%. Nevertheless, this is a normal occurrence in the context of a projected robust economic recovery, which would generate total demand. After a prolonged period of price stabilisation of some admin products to support the economy during the COVID-19 pandemic, it is expected that the Government shall adjust key administrative prices in the remaining months of 2024. Specifically, besides the September increase in education prices as the seasonal pattern, healthcare prices are forecast to increase this year. Notably, after successive tariff adjustments made in the last few months of 2023 (c. 4.5%), electricity prices will be subjected to changes this year, exerting relative pressure on the electricity inflation index in 2024. However, our calculations indicate that inflation would remain stable in a controllable range below 4.5% level.

Figure 22: MoM CPI component contribution



Sources: GSO, VNAT, TCB Analysis

Vietnamese Economy (*Cont.*)

VND faces the depreciating pressure in 1H24, but it is expected to appreciate in the later months of 2024

The USDVND exchange rate is facing upward pressure, mainly driven by Dollar index (DXY). A 2.9% YTD increase in DXY has caused a 2.8% depreciation of VND. This pressure has been affecting the currency of not only Vietnam but also many other countries, such as Indonesia (depreciated 2.8%) and Thailand (depreciated 6.0%). In terms of the anticipation of Fed rate cuts, we believe there is a possibility of the first rate cut occurring in September and/or two rate cuts within this year. This would make DXY become "bumpy" until the first Fed rate cut.

Recently, the interbank interest rate gap between USD and VND has decreased due to continuous note issuances by SBV. This measure aims to limit risks associated with future contract speculation and stabilise the exchange rate during volatile adjustment sessions from mid-March. Import-intensive periods in Vietnam typically fall within the second quarter, where import growth tends to surpasses export growth. In addition, second quarter is also the seasonal time when FDI enterprises transfer profits back to their countries. As a result, there would be a potential pressure on USDVND during this period. In the long run, the exchange rate is expected to face less pressure towards the end of the year due to: 1) Fed's projected interest rate cuts in the context of Vietnam's possibly slight increase in deposit rates; and 2) the long-term depreciating trend of DXY which typically experiences significant decreases towards year end. Therefore, the USDVND rate may face considerable pressures until 2H24.

Figure 23: Seasonal trade balance

(USD Billion)

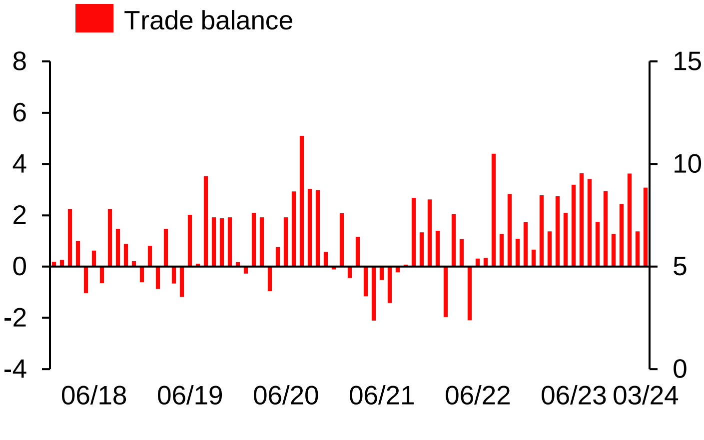
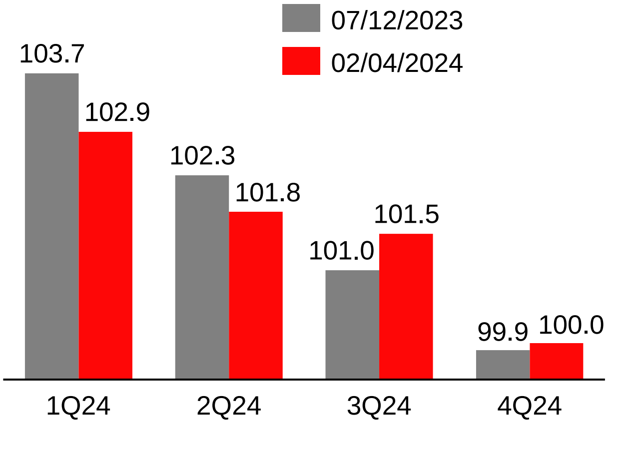


Figure 24: DXY forecast by Bloomberg's survey

(Index)



Sources: GSO, SBV, Bloomberg, Reuters

Vietnamese Economy (*Cont.*)

Deposit rates are expected to remain low in 1H24, and they would naturally increase due to economic recovery in 2H24

As we anticipated that exchange rate pressures could lead to SBV's note issuances in our previous report on February 4th (Link attached). Although the issuance of SBV's notes caused interbank rates to increase, we observed that the G18 6-month deposit rate in early April decreased to 3.3%, corresponding to a decrease of 15 basis points compared to the end of February 2024. We expect SBV to continue note issuances until interbank market liquidity reaches an adequate level, i.e. a 1-week interbank rate in the 2%-3% range. However, SBV would monitor interbank rate increases to minimise the impact on higher deposit rates. In case of significant VND currency depreciation, we anticipate SBV to employ alternative policies to support the market instead of further raising interbank interest rates, as maintaining low rates is crucial for economic growth. Despite the rising interbank interest rate, some State-owned banks have reduced 1-month interest rates to stimulate lending, given the low credit growth rates at 0.9% in 3M24, and even -0.6% in January 2024. With the anticipation of the gradual economic recovery, we expect that the deposit rate would naturally experience a slight increase in 2H24.

Figure 25: G18* weighted average 6-month deposit rate and interbank rate

(%)

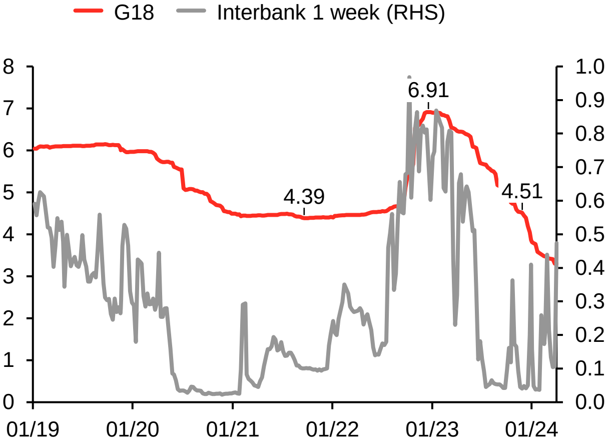
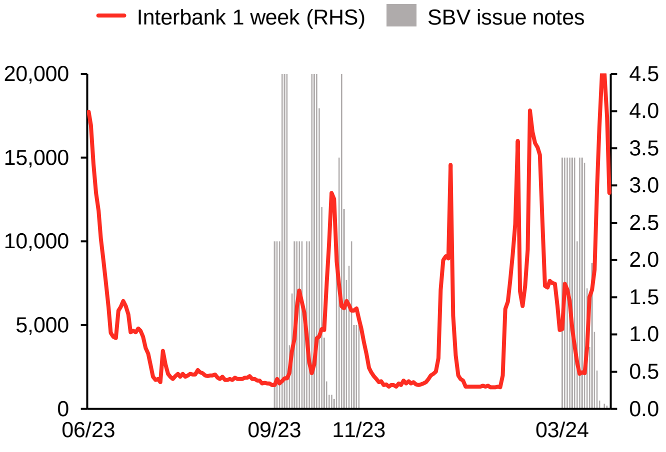


Figure 26: Interbank rate and SBV issued notes value

(%, VND trillion)



Sources: GSO, SBV, TCB Analysis

Section 4

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Appendix

Updates on macroeconomics and financial market in the world

Indicators	Country	Unit	2023	2023									2024		
				04	05	06	07	08	09	10	11	12	01	02	03
Real GDP Growth	US	%, YoY, Quarterly				2.40			2.90			3.1			
	Eurozone	%, YoY, Quarterly				0.60			0.00			0.1			
	China	%, YoY, Quarterly				6.30			4.90			5.2			
	Japan	%, YoY, Quarterly				2.30			1.60			1.2			
CPI	US	%, YoY, Monthly		4.93	4.05	2.97	3.17	3.67	3.70	3.24	3.14	3.40	3.1	3.2	
	EU	%, YoY, Monthly	5.46	7.00	6.10	5.50	5.30	5.20	4.30	2.90	2.40	2.90	2.8	2.6	2.4
	China	%, YoY, Monthly		0.10	0.20	0.00	-0.30	0.10	0.00	-0.20	-0.50	-0.30	-0.8	0.7	
	Japan	%, YoY, Monthly		3.50	3.20	3.30	3.30	3.20	3.00	3.30	2.80	2.60	2.2	2.8	
Fed funds target rate		%. End of month	5.50	5.00	5.25	5.25	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DXY		Index. Monthly Average	103.25	102.34	103.01	103.08	101.40	103.10	105.28	106.35	104.49	102.69	102.95	104.1	103.7
USDCNY		Index. Monthly Average	7.08	6.89	6.99	7.16	7.19	7.25	7.30	7.31	7.22	7.15	7.17	7.19	7.20
10Y UST Yields		%. Monthly Average	3.96	3.46	3.57	3.75	3.89	4.17	4.38	4.80	4.51	4.05	4.05	4.23	4.21
WTI Oil price		USD/barrel. Monthly Average	77.66	79.44	71.62	70.27	76.03	81.32	89.43	85.47	77.38	72.06	73.86	76.61	80.4

Updates on macroeconomics and financial market in Vietnam

Indicators	Unit	2023										2024		
			04	05	06	07	08	09	10	11	12	01	02	03
Real GDP growth	%, Quarterly, YoY	**5.05**			4.14			5.33			6.72			5.66
IIP	%, Monthly, YoY	**1.50**	-2.43	0.48	1.75	3.69	2.62	2.89	4.38	5.79	5.76	18.86	-6.81	4.13
Headline CPI	%, Monthly, YoY	**3.25**	2.81	2.43	2.00	2.06	2.96	3.66	3.59	3.45	3.58	3.37	3.98	3.97
Retail sales growth	%, Monthly, YoY	**9.60**	11.5	11.5	6.5	7.1	7.6	7.5	7.0	10.1	9.3	8.1	8.5	9.2
Registered FDI	USD billion, Monthly	**28.10**	1.60	1.80	1.90	2.70	1.30	2.00	5.20	2.30	5.20	2.2	1.8	1.7
Disbursed FDI	USD billion, Monthly	**23.20**	1.60	1.70	2.50	1.60	1.50	2.80	2.10	2.30	2.90	1.5	1.3	1.8
Trade exports	USD billion, Monthly	**355.5**	27.90	28.10	29.50	30.70	32.70	30.80	32.50	31.20	32.1	34.5	24.7	33.8*
Trade imports	USD billion, Monthly	**327.5**	25.10	26.00	26.30	27.10	29.30	29.10	29.50	29.90	29.6	30.9	23.3	30.8*
Trade balance	USD billion, Monthly	**28.00**	2.70	2.10	3.20	3.60	3.40	1.70	2.90	1.30	2.40	3.6	1.4	3.0
Deposit growth	%, YTD	**10.85**	1.97	2.69	4.67	3.83	4.86	6.76	7.09	8.88	13.47*			
Credit growth	%, YTD	**13.50**	3.00	3.30	4.70	4.50	5.33	6.20	7.10	9.15	13.78	-0.60*		
10Y Government bond yields	%, Monthly Average	**3.07**	3.30	3.10	2.80	2.60	2.50	2.60	2.90	2.56	2.26	2.25	2.32	2.50
1W Interbank rate	%, Monthly Average	**2.60**	4.70	4.70	2.20	0.60	0.40	0.40	1.37	0.71	0.82	0.43	2.53	1.32
6M Deposit rate**	%, Monthly Average	**-3.04**	6.40	6.30	5.90	5.60	5.20	4.90	4.70	4.54	4.19	3.70	3.40	3.37
USDVND	Monthly Average	**23,847**	23,469	23,464	23,515	23,670	23,882	24,246	24,488	24,321	24,283	24,476	24,520	24,724

Updated full-year forecasts for Vietnam

Indicators	Unit	Actual 2023									2024			Forecast
		04	05	06	07	08	09	10	11	12	1	2	3	2024
Real GDP growth	%			4.14			5.33			6.72			5.66	6.00
Headline CPI	%, YoY. Average	2.81	2.43	2.00	2.06	2.96	3.66	3.59	3.45	3.58	3.37	3.98	3.97	4.10
Deposit growth	%, YTD	1.97	2.69	4.67	3.83	4.86	6.76	7.09	8.88	13.47*				12.80
Credit growth	%, YTD	3.00	3.30	4.70	4.50	5.33	6.20	7.10	9.15	13.78	-0.60*			14.00
USDVND	Average	23,469	23,464	23,515	23,670	23,882	24,246	24,488	24,321	24,283	24,476	24,520	24,724	24,731
10Y Government bond yields	%, 10Y, Average	3.30	3.10	2.80	2.60	2.50	2.60	2.90	2.56	2.26	2.25	2.32	2.50	2.73
1W Interbank rate	%, Average	4.70	4.70	2.20	0.60	0.40	0.40	1.37	0.71	0.82	0.43	2.53	1.32	2.35

Sources: GSO. Customs. VBMA. Reuters. TCB Analysis

Notes:

* Estimated numbers

** Weighted average of 18 banks

The latest trade data updated by GSO (first 20 days). Previous data updated by Customs

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