Monthly Updates on Macroeconomics and Financial Market

Hanoi, October 2024

Prepared by Economic and Financial Market Analysis Team

BE GREATER

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The ongoing trend of interest rate cuts spurs recovery in major economies, ultimately bolstering growth in Vietnam

Section 1

Executive Summary

Global Economy:

- *Even with the ongoing conflict between Israel and Iran, global oil prices are anticipated to only modestly increase in the base case scenario due to the expected stronger global oil supply. Despite the oil prices' rising concerns, the US inflation downward trend persists.*
- *As we approach November, there are two pivotal events that could significantly influence the economic landscape: the US presidential election and the Fed rate decision. The Fed is more likely to opt for a 25 bps rate cut in November, due to continued resilience in the labour market and the inflation easing trend. The US presidential election has the potential to create significant volatility for the market.*
- *The EU economy faces sluggish consumer demand with lower-than-expected retail sales growth at 0.8% YoY. Ongoing decline continues in both the manufacturing and services sectors, with the EU PMI composite dropped below the 50 benchmark. Thus, the ECB has valid reasons to cut interest rates by an additional 50 bps to support economic growth until year-end.*
- *In China, weak consumer demand is evidenced by the country's retail sales slowed to 2.1% YoY, and modest Golden Week results. Supply-side indicators also remain sluggish. Nevertheless, the Government's strong commitment suggests that more aggressive stimulus measures and growth are expected in the near future.*

Vietnamese Economy:

- *Despite damage from Typhoon No. 3 (Yagi), Northern provinces still achieved a high GDP growth rate in 9M24. We have revised our full-year 2024 GDP growth forecast up to 6.8%.*
- *Vietnam's trade surplus reached USD 20.8 billion in 9M24. Export orders are expected to increase or remain stable in 4Q24, continuing to support export growth.*
- *The total value of newly registered FDI and additionally registered for adjustment FDI in 9M24 reached USD 21.2 billion, with an impressive growth of 37.7% YoY. The manufacturing sector continues to receive significant attention from foreign investors.*
- *Domestic demand remains weak, even though Vietnam's tourism industry has fully recovered.*
- *The average CPI for 2024 is forecast to fluctuate in the range of 3.5% to 4%, below the Government's target of 4.5%.*
- *VND is forecast to depreciate only by 1-2% by the end of 2024.*
- *Interbank interest rates are forecast to decrease, while deposit interest rates would remain flat or increase slightly.*

Section 2

Global Economy

September highlighted mixed global economic signals: US labour market remains resilience with continued job growth amid easing inflation. The EU faces sluggish consumer demand and ongoing contraction in the manufacturing sector, increasing the likelihood of further rate cuts to stimulate recovery. Meanwhile, strong intention of Chinese Government suggests more aggressive stimulus and growth in the context of weak consumer demand and sluggish supply-side.

Even with the ongoing conflict between Israel and Iran, global oil prices are anticipated to modestly increase in the base case scenario

The ongoing conflict between Iran and Israel in early October 2024 has raised concerns about its potential impact on global commodity prices, particularly oil. While some analysts fear that the war could push oil prices to surge more than 160% from the current level, this case can be considered as too extreme. In more plausible scenarios, according to estimates by ClearView Energy, a complete disruption of Iran's oil output could reduce global supply by less than 2 million barrels per day, pushing crude prices up to USD 86 per barrel (USD/Bbl) – levels seen earlier in the year. If Iran were to retaliate by closing the Strait of Hormuz, which triggers logistics disruption, prices could rise to as high as 101 USD/Bbl, but this is only viewed as the worst scenario. In base case scenario, the market maintains that the price of West Texas Intermediate (WTI) oil will remain around 75 USD/Bbl in the fourth quarter of 2024 (4Q24), according to Bloomberg. Unlike the sharp price spikes observed during the Russia-Ukraine conflict, the global oil price is expected to increase modestly, even if Iran were to lose its entire oil production, due to the anticipated boost in global supply and weak demand growth that was also highlighted in our previous report (Report link). Overall, unless the situation significantly escalates, the event may lead to a temporary uptick in oil price as well as global inflation but is unlikely to derail the broader trend of anticipated global rate cuts.

Figure 1: Total world crude oil production

(million barrels per day, EIA forecast)

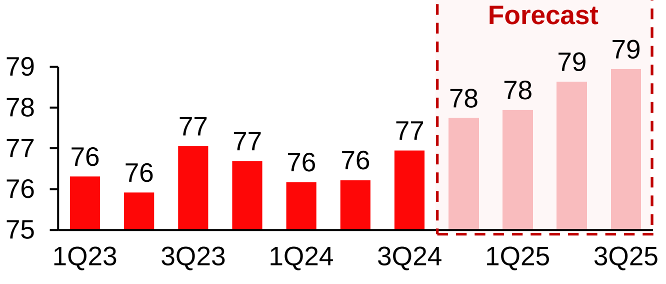
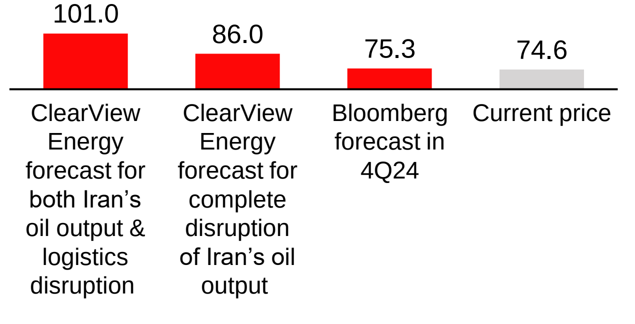


Figure 2: WTI oil price forecasts

(USD/BBL)



Sources: Refinitiv, Bloomberg, EIA, ClearView Energy, Politico

Global Economy *(Cont.)*

The US inflation downward trend persists despite oil prices' rising concerns

The concerns over rising oil price that affect headline inflation remain, but current forecasts suggest that the impact will be manageable. As mentioned earlier, the expected base case scenario of WTI oil prices in 4Q24 is to remain at 75 USD/Bbl. Therefore, inflationary pressures from energy costs might not be too severe for the US since the base case oil price is even below the high levels of around 85 USD/Bbl seen in early April 2024. Furthermore, the most recent US headline inflation number fell to 2.4%, the lowest since early 2021. In addition, despite the core CPI surprised at 3.3% in September compared to the 3.2% projection, the market still believes that the downward trend remains intact as the high-interest rate environment is still curbing demand in interest-sensitive sectors such as housing and consumer durables. Thus, inflation is likely to continue easing in the long run, helping to sustain the broader economic outlook.

Figure 3: US YoY monthly CPI

(%)

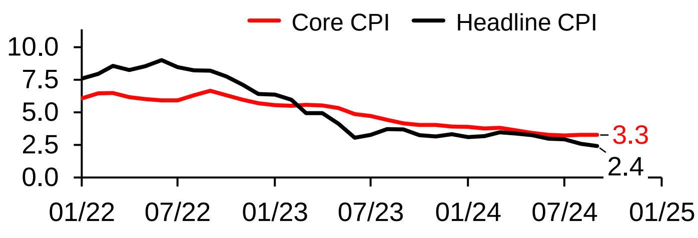
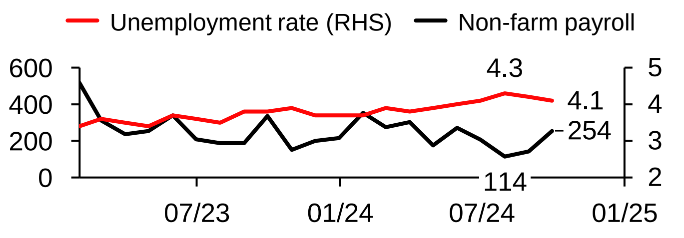


Figure 4: US unemployment rate and non-farm payroll

(%, thousand persons)



Positive numbers regarding consumer sentiment

With the inflation trend easing at a healthy pace, consumer sentiment in the US is showing encouraging signs of growth, signalling a more resilient economic outlook. Retail sales consistently reflect this positive trend, with the Redbook Index* reporting a 5.3% year-over-year (YoY) increase as of October 1st. This sustained growth indicates resilient consumer spending. Additionally, the University of Michigan's Index of Consumer Sentiment has risen to 70.1 points, the highest level since April, underscoring growing optimism about household financial conditions and brighter US economic expectations.

**The Johnson Redbook Index, also known as the Redbook Retail Sales Index, is a weekly report that measures the YoY change in retail sales. It provides an overview of the sales performance of a sample of major US retailers across different sectors of the retail industry*

The US labour market keeps showing resilience

The US labour market continues to demonstrate resilience, as evidenced by better job growth in September 2024. Non-farm payrolls increased by 254,000 jobs, a significant rise from the upwardly revised 159,000 in August and far surpassing the forecast 140,000. This marks the strongest job growth in six months, reflecting a healthy demand for labour. Additionally, the unemployment rate fell to 4.1% in September, down from 4.2% in the previous month, defying market expectations of…

Sources: Bloomberg, Refinitiv, ISM, Johnson Redbook Service, University of Michigan, TCB Market Research

Global Economy *(Cont.)*

… no change. The increase in job openings to 8.04 million in August and the unemployment level down to 6.83 million in September further highlight the strength of the labour market, signalling that opportunities for employment remain sufficient.

The supply side remains mixed, with a decline in manufacturing sector but improvement in services sector

Despite the overall resilient labour market, the economic landscape on the supply side presents a mixed picture. The services sector is exhibiting solid growth, with the Services ISM Purchasing Managers' Index (PMI) registering 54.9, the highest reading since February 2023. This expansion is driven by increases in business activity and new orders, although the employment component showed slight contraction. In contrast, the manufacturing sector remains under pressure, with the Manufacturing ISM PMI at 47.2, indicating contraction for the sixth consecutive month. This ongoing decline reflects challenges in demand, new orders, and exports. Despite the most recent rate cut in September, survey respondents still cited concerns about federal monetary policies and high interest rates. Overall, although the services sector plays a vital role in sustaining the US economy, the manufacturing sector is still exposed to great challenges. Major research firms expect US growth to continue slowing in the second half of 2024, with no rebound anticipated until early 2025.

Figure 5: US ISM PMI

(index)

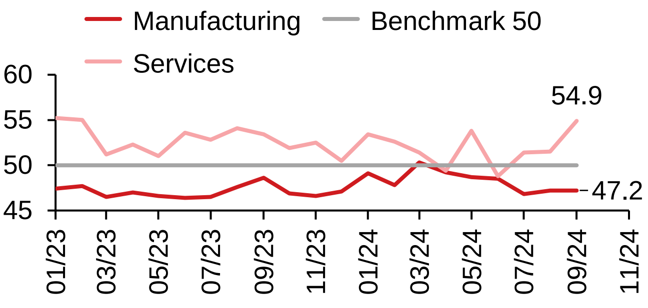
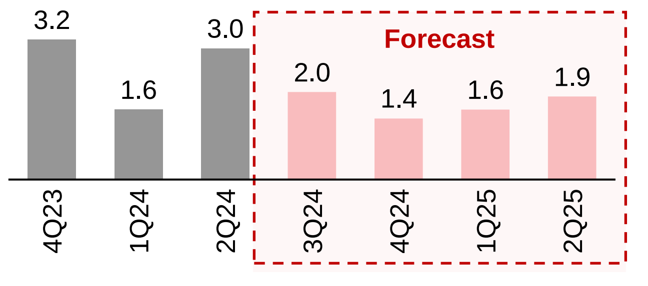


Figure 6: US GDP forecast by Bloomberg

(SAAR QoQ, %)



All attention is currently centered on 2 pivotal events in November: the US presidential election and the Fed rate decision

As we approach November, market participants are sharpening their focus on two pivotal events that could significantly influence the economic landscape: the US presidential election and the Federal Reserve's decision on interest rates. As for the rate decision, we believe the Fed is more likely to opt for a 25 basis point (bps) rate cut in November, due to continued resilience in the labour market and the inflation easing trend. This outlook aligns with market consensus, which now assigns a 93% probability to a 25 bps cut in November and a 100%

Sources: Bloomberg, Refinitiv, ISM, BLS, BEA, TCB Market Research

Section 2

Global Economy *(Cont.)*

… probability to another 25 bps cut in December. Another significant event in November is the US presidential election, which has the potential to create significant volatility for the market. Major research houses believe that a victory by Donald Trump could have notable economic implications, particularly his bold proposed tax cuts for individuals and businesses. These cuts are expected to boost income for both households and enterprises, leading to increased consumer demand and investment, which may ultimately result in higher inflation. Another anticipated policy change under Trump, which calls for a significant increase in tariffs on imported goods from countries like China, could lead to higher costs for US importers. These costs were often passed on to consumers through higher prices, as businesses frequently adjust their prices upward to maintain profit margins. This practice can lead to cost-push inflation. Thus, the higher inflation and current low unemployment may lead to interest rates remaining at a high level and a stronger US dollar index (DXY). On the other hand, Harris' policies, if she were to win, are expected to largely maintain the current trajectory established under the Biden administration, with fewer dramatic shifts in economic direction.

EU consumer demand increased, but not strong

In August 2024, consumer demand in the EU showed a slight increase, with retail sales growth rising by 0.8% YoY. While this uptick can be partially attributed to the effects of the 2024 Olympics, it fell short of market expectations, which anticipated a 1% growth. This shortfall highlights the slow recovery of consumer demand in the EU. On a positive note, consumer confidence rose modestly by 0.5 points, as households became slightly more optimistic about their future financial situation. However, despite these signs of growth, the pace remains sluggish, indicating that while consumer demand is recovering, it is doing so at a slow rate.

Figure 7: EU GDP growth forecast by Bloomberg

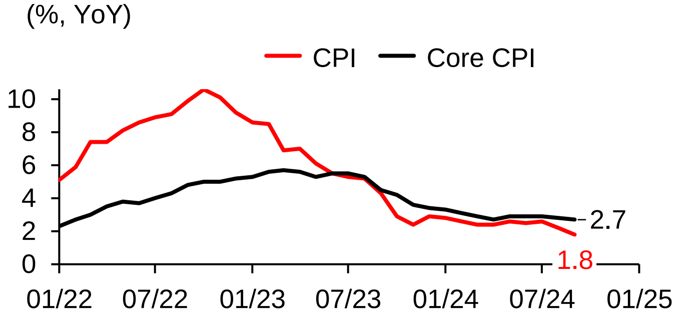
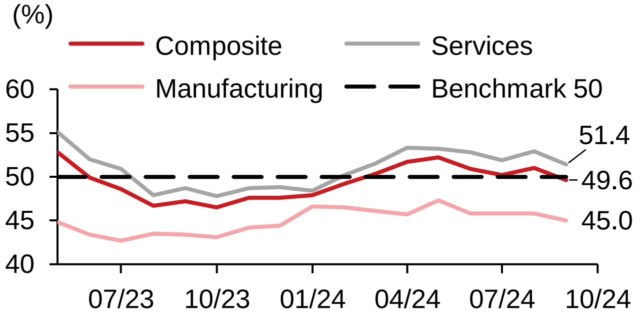


Figure 8: EU PMI



Sources: Bloomberg, Refinitiv, Eurostat, European Commission, TCB Market Research

Global Economy *(Cont.)*

EU supply side turned sluggish as EU PMI composite dropped below the 50 benchmark

On the supply side, the EU economy faces more significant challenges. The HCOB Services PMI dropped to 51.4 in September, marking the lowest in seven months. This deceleration was especially pronounced in France, where business activity slowed following the Olympic boost, and in Germany and Italy, where growth nearly stalled. Although Spain managed to resist the drag, the EU' services sector as a whole is heading toward a weaker number. Meanwhile, the manufacturing sector continues to deteriorate, with the HCOB Manufacturing PMI falling to 45.0, signalling an accelerated contraction in the goods-producing economy, particularly in Germany (at 40.6). The surveys also reflect the fastest decline in demand for goods and services in eight months with backlog reductions. This concerning trend underscores the need for greater governmental support, particularly for the struggling business sectors in the EU.

The ECB has valid reasons to cut 50 bps till the end of the year to further support economic growth

Amid these economic pressures, the European Central Bank (ECB) is expected to take action. With both consumer demand and supply showing signs of weariness, and inflation falling below 2%, registering at 1.8% in September, the ECB will need to intervene more aggressively. We believe that a 50 bps rate cut is likely in the next two meetings, and market consensus is also betting on a further 50 bps cut by the end of 2024 to provide the necessary stimulus. Thus, the EU GDP growth is expected to gradually increase in the upcoming quarters, given the expected critical action from the ECB in advancing recovery efforts and ensuring longer-term stability.

Figure 9: EU GDP growth forecast by Bloomberg

(%, YoY)

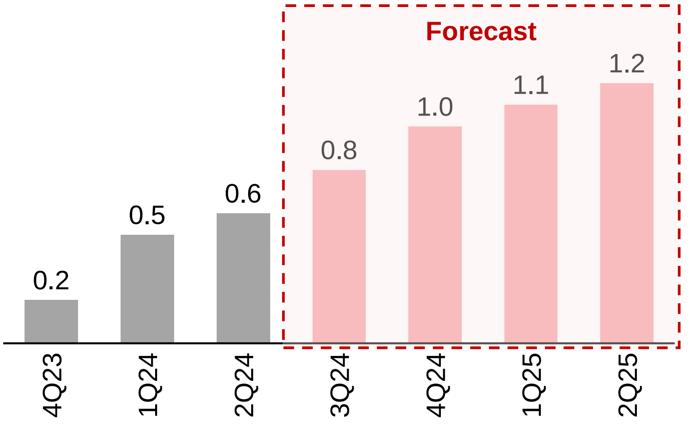
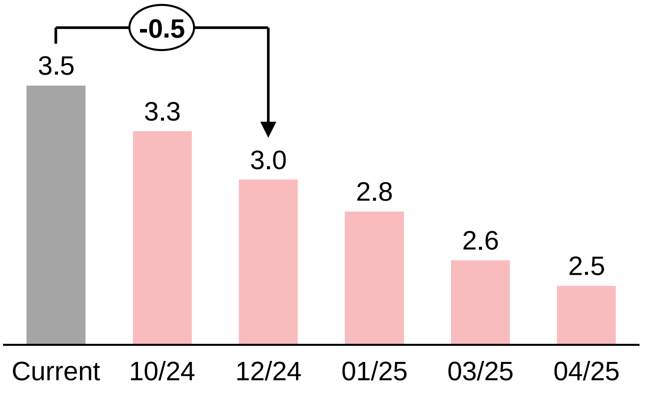


Figure 10: Market ECB implied rate expectation

(%)



Sources: Bloomberg, Eurostat, S&P Global, Refinitiv, European Commission

Global Economy *(Cont.)*

Weakening demand continues to be evident in China recent numbers

The Chinese consumer demand is a crucial area that has remained weak for an extended period. ***Firstly***, recent data in August 2024 reveal that retail sales growth slowed to 2.1% YoY, falling short of the market consensus of 2.5%. In addition, the recent Golden Week holiday from October 1st to 7th, 2024, signalled persistent caution among Chinese consumers. While overall consumption during the holiday showed some positive momentum, with retail sales increased 9% YoY and domestic tourism spending on the rise, the spending per domestic trip still has not reached the pre-pandemic level. ***Secondly***, the inflation data for September in China also indicates that consumer demand remains weak. The annual inflation rate was 0.4%, falling short of market predictions. This marks the eighth month of moving out of deflation, yet inflation has dropped to its lowest level since June. ***Thirdly***, the real estate sector continues to struggle, reflecting another aspect that impacts consumer's concerns. Many families are adopting a "wait-and-see" approach to the Government's trade-in policy for housing. Despite Beijing's efforts in launching a housing trade-in program in July, the uptake has been limited, with only 62 homes secured, as of early October, out of more than 10,000 new units.

Figure 11: Growth in China "Golden Week" 2024

(%, YoY)

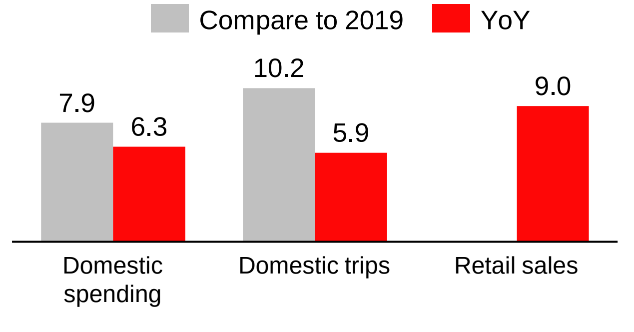
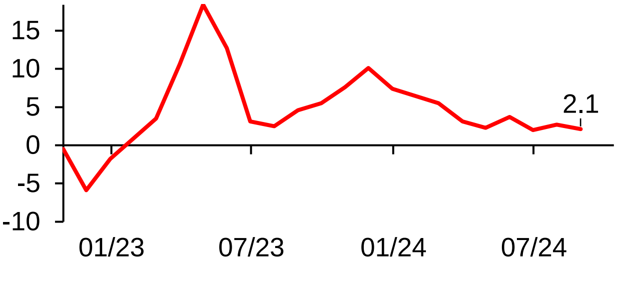


Figure 12: China retail sales

(%, YoY)



The supply side of China's economy has yet to recover

On the supply side, the Chinese economy faces mixed signals. China's NBS Composite PMI, the official indicator by the National Bureau of Statistics of China, rose slightly to 50.4, reflecting a modest improvement in economic sentiment ahead of the Golden Week holiday. While factory activity contracted at a slower pace, the services sector stagnated. This is mainly due to the decline of foreign sales and export orders. Thus, the current state of China's supply side remains sluggish and heavily influenced by both domestic and international demand.

Sources: Bloomberg, Refinitiv, ECB, S&P Global, NBS of China, CNBC, SCMP

Section 2

Global Economy *(Cont.)*

Figure 13: China CPI

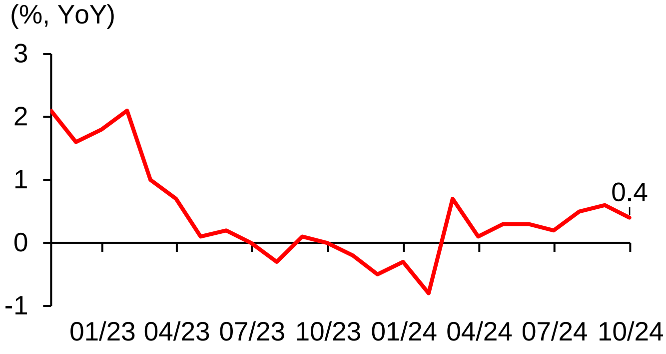


Figure 14: China PMI by NBS

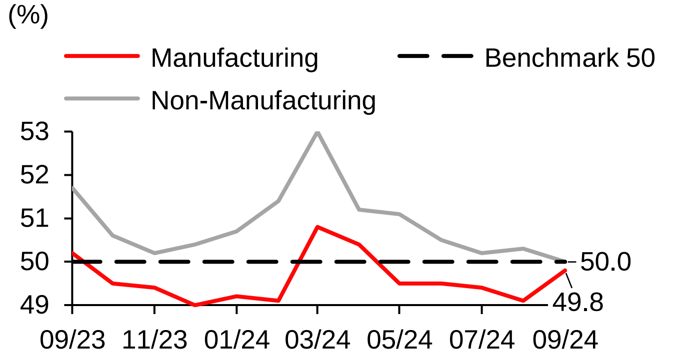


Figure 15: China's recent stimulus policy announcements and market expectation

Stimulus category	Stimulus policy	Detail
Rates cut	Reserve requirement ratio	Cut by 50 basis points to 9.5%
	1-year medium term lending rate	Cut by 30 basis points from 2.3% to 2.0%
	7-day reverse repo rate	Cut by 20 basis points from 1.7% to 1.5%
	Standing lending facilities	Cut by 20 basis points across tenors (over night, 7 days, 1 month)
	Mortgage rates	Cut by 50 basis points
Housing support	House down payments	Reduced from 25% to 15% for second homes to align with rates for first homes.
	Re-lending program for housing	State-owned banks can now provide up to 100% of the capital for purchases of unsold property, up from 60%.
Capital market	Capital injection	Six largest state-owned banks to be recapitalised.
	Swap facility	Allow financial institutions to swap illiquid assets with PBoC for liquid assets. Initial 500 billion yuan, potentially rising to CNY 1.5 trillion.
	Re-lending program for stocks	Publicly listed companies can borrow from PBoC for share buybacks. Initial 300 billion yuan, potentially rising to 900 billion yuan.
Market expectation for the upcoming stimulus actions	Consumption stimulus	China to issue 1 trillion yuan of special bonds mainly to stimulate consumption
	Resolve debt problems	China to issue another 1 trillion yuan via special bonds to help local governments tackle debt problems

With the Government's recent commitment to enhance growth, there is a possibility for China's economy to reach its targets

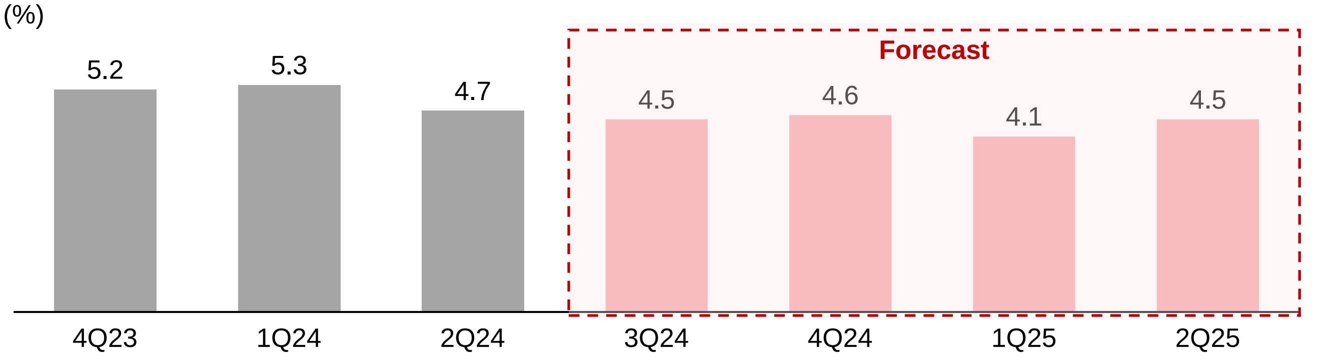
While both demand and supply in China continue to be slow, and inflation has yet to meet market expectations, the Chinese Government is demonstrating increased determination to provide additional support to the economy. China has recently implemented a comprehensive stimulus package spanning various sectors. The measures include significant cuts in interest rates, reductions in down payments for second homes to align with those for first homes, increased capital injections into state-owned banks, and the initiation of swap facilities aimed at injecting liquidity into the market. Moreover, market expectations anticipate a substantial issuance of special bonds, totalling 2 trillion yuan, with the main objectives being the stimulation of consumption and the resolution of local government debt issues…

Sources: Bloomberg, Refinitiv, NBS of China, CNBC, PBOC, MoF China, TCB Market Research

Global Economy *(Cont.)*

…Even though market consensus in Bloomberg expresses concerns about China's growth, predicting only 4.8% in 2024 and 4.5% in 2025, we believe that the Chinese Government's strong commitment, as outlined earlier, along with anticipated robust stimulus packages, could facilitate achieving their growth targets.

Figure 16: China GDP forecast by Bloomberg



Sources: Bloomberg, Refinitiv

Vietnamese Economy

Despite damage from Typhoon No. 3, Northern provinces still achieved a high GDP growth, and are expected to recover soon as the Government intensifies support measures. Trade and production activities are anticipated to continue to be vibrant as global demands are expected to improve. Additionally, given an improving real estate market, GDP growth for 2024 is projected to reach 6.8%.

The GDP growth forecast for 2024 is 6.8%, driven by a significant recovery in both manufacturing and real estate sectors

GDP growth in 3Q24 exhibited an improvement of 7.4% year over year (YoY), contributing to a 6.8% YoY growth in GDP for the first nine months of the year (9M24). The significant recovery in the manufacturing sector was the main contributor to the 9M24 GDP growth, while the remaining experienced moderate growth. We have revised our full-year 2024 GDP growth forecast up to 6.8% due to the following factors. ***Firstly***, the manufacturing sector is expected to continue its recovery in 4Q24 thanks to improvements in new orders, particularly export orders. According to a business trend survey of 6,335 manufacturing enterprises, nearly 83% of businesses have a positive outlook in the fourth quarter. We anticipate strong GDP growth of 9.5% for the manufacturing sector (compared to just 3.6% in 2023). ***Secondly***, the real estate market in 9M24 has recovered positively, with the total number of apartments sold in Hanoi and Ho Chi Minh City increasing by 116% YoY, according to Savills. The Land Law, Housing Law, and Real Estate Business Law, effective from August 1, 2024, have accelerated the land clearance process for businesses, increased the supply of land funds, and attracted foreign investment. Therefore, we expect this positive growth in the real estate sector to have spillover effect on other sectors of the economy, boosting confidence and stimulating consumer spending. ***Thirdly***, in the context of stable inflation and easing exchange rate pressures, interest rates are expected to remain lower compared to previous periods, continuing to support economic growth.

Figure 17: GDP growth in the first nine months compared to the same period by sector

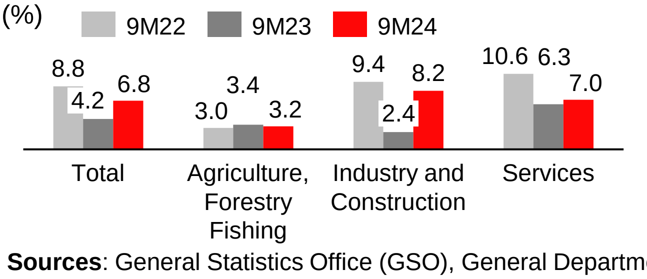
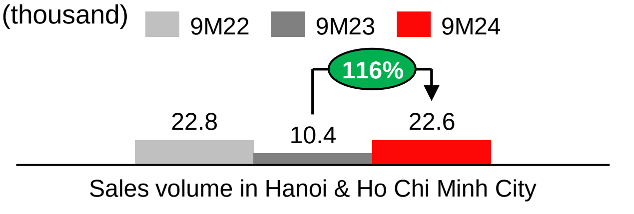


Figure 18: Sales volume of primary market in Hanoi & Ho Chi Minh City



Sources: General Statistics Office (GSO), General Department of Vietnam Customs, TCB Market Research
(1) Vietnam Custom has not yet published trade data for September at the time this report was written, so Sep data is from GSO

Vietnamese Economy *(Cont.)*

Figure 19: Provinces affected by Typhoon Yagi

Province	GDP 3Q24 (%)	GDP 9M24 (%)	Value (VND trillion)
Quang Ninh	13.2	13.9	5.0
Hai Phong	12.3	5.5	1.2
Hai Duong	8.8	9.8	12.3
Lao Cai	8.3	9.3	7.5
Bac Giang	7.9	7.1	1.5
Bac Ninh	7.5	7.7	6.7
Thai Binh	6.0	8.0	24.8

Figure 20: IIP by province

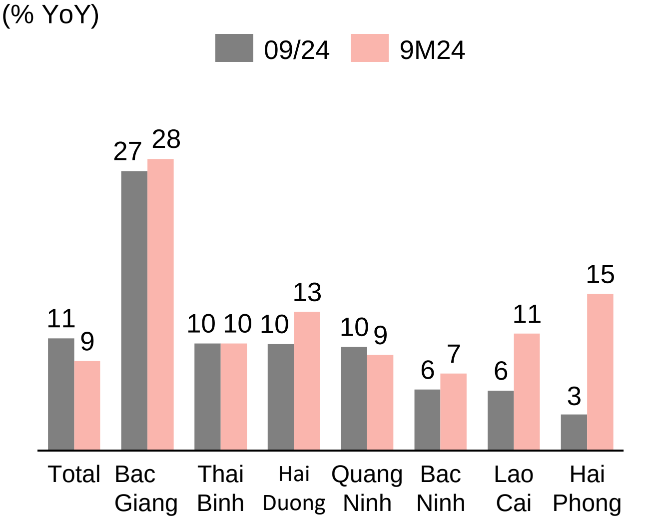
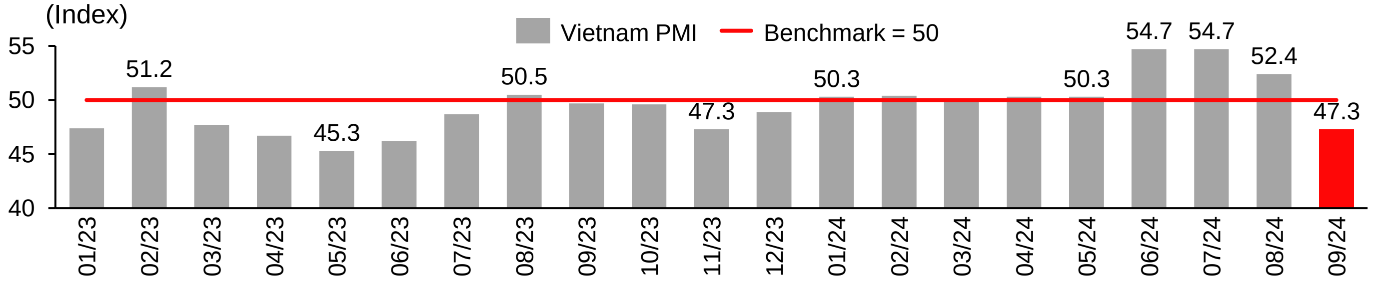


Figure 21: Manufacturing PMI



Despite damage from Typhoon No. 3, Northern provinces still achieved a high GDP growth, and are expected to recover soon as the Government intensifies support measures

Typhoon No. 3 Yagi has affected the Northern provinces, with the total estimated damage amounting to VND 81.5 trillion, according to the Ministry of Planning and Investment. Temporary business closures, production delays, and supply chain disruptions caused the Purchasing Managers' Index (PMI) to drop below the 50-point threshold, down to 47.3 points in September. Additionally, in the Northern provinces affected by the storm, the Industrial Production Index (IIP) in September mostly recorded negative growth compared to the previous month, although it still showed positive growth compared to the same period last year. Despite the severe impact in September, with the Government's efforts to boost support through both fiscal and monetary policies, we expect the storm's impact on the manufacturing sector to be short-term. Notably, besides the tax exemptions, reductions, and extensions provided for 26 localities, 32 out of 40 banks have registered a credit package worth VND 405 trillion with low interest rates from 0.5% to 2% to support businesses and individuals impacted by Typhoon No. 3.

Sources: GSO, S&P Global, Savills, TCB Market Research

Vietnamese Economy *(Cont.)*

Figure 22: YoY trade growth by nation in 9M24

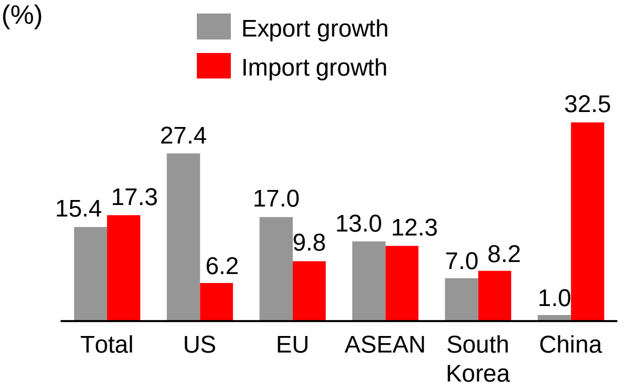


Figure 23: YoY trade growth by product in 9M24

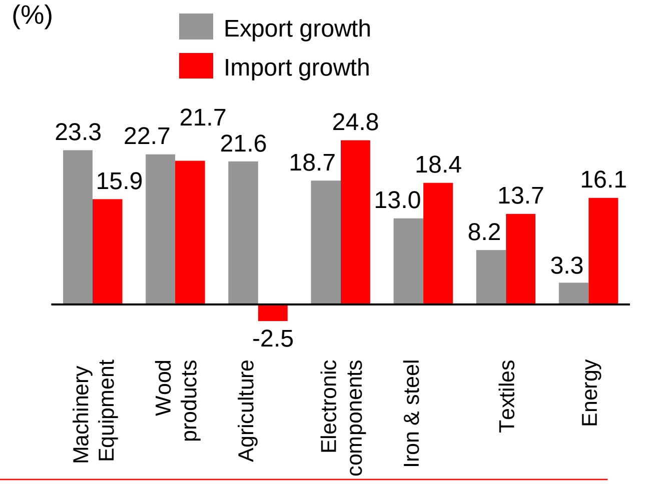
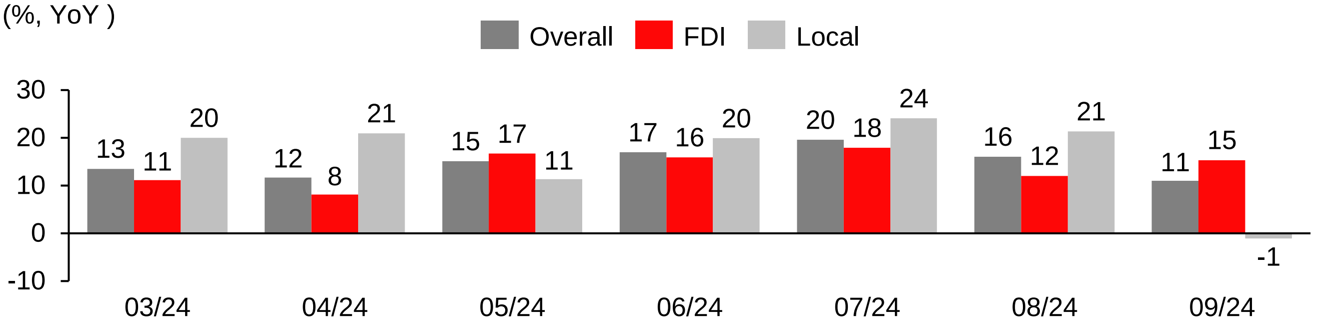


Figure 24: Monthly export growth



Export orders are expected to increase or remain stable in 4Q24, continuing to support export growth.

In 9M24, exports to the US, EU, and ASEAN markets experienced double-digit growth as demand in these markets gradually improved. Additionally, exports of key products such as machinery, equipment, wood products, agricultural products, and electronic components also recorded impressive growth. Notably, Vietnam's trade surplus reached USD 20.8 billion in 9M24, despite import growth outpacing export growth.

S&P Global Market reported a slight decrease in export orders in September due to the storm. Based on data from the General Statistics Office (GSO), we also observed that the storm affected export activities, particularly among domestic enterprises. Nevertheless, manufacturing enterprises proactively increased employment despite decreased workload in September indicating that companies remain optimistic about the 2025 outlook as global demand improves. Furthermore, according to a business trend survey in the manufacturing industry, 84% of enterprises expect that export orders would increase or stabilise in 4Q24, continuing to support export growth.

Sources: GSO, TCB Market Research

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Vietnamese Economy *(Cont.)*

Figure 25: Newly registered and additionally registered for adjustment FDI by sector

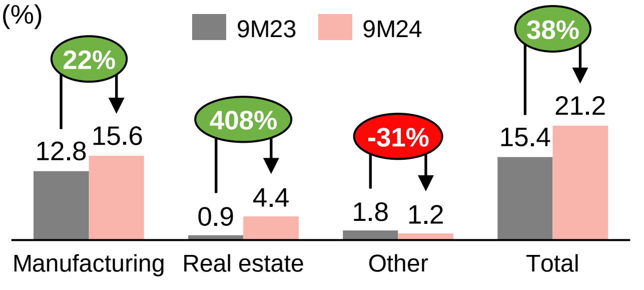
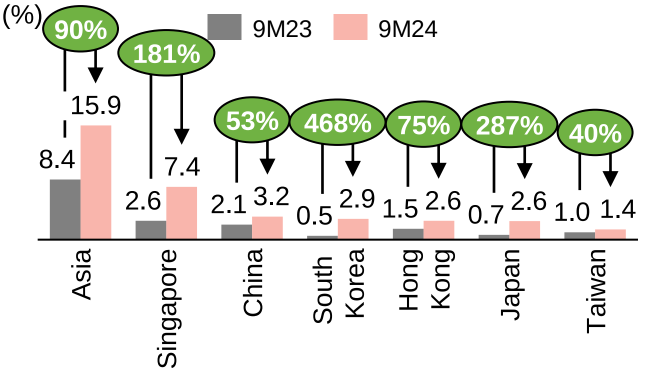


Figure 26: Newly registered FDI by country



FDI from Asian countries continues to increase significantly

FDI enterprises remain optimistic about the business conditions in Vietnam. Accordingly, the total value of newly registered FDI and additionally registered for adjustment FDI in 9M24 reached USD 21.2 billion, with an impressive growth of 37.7% YoY, primarily from Asian investors. Specifically, registered investment capital in the manufacturing sector reached USD 15.6 billion, up 22.2% YoY. In the near future, major corporations have shared plans to continue choosing Vietnam as an investment destination, such as Samsung planning to invest an additional USD 1.8 billion, and NVIDIA, Meta, Qualcomm, etc., committing to work with Vietnam to build an innovation ecosystem, bringing new technologies such as semiconductors and AI. Particularly, registered capital in the real estate sector reached USD 4.4 billion, a threefold increase compared to the same period, indicating that investors are more optimistic about the prospect of this sector. In the context of positive macroeconomic factors such as continuous improvement in new orders, domestic manufacturing recovery, and the National Assembly passing three real estate laws promptly to support this market, we believe that Vietnam would continue to attract foreign investment.

Figure 27: Final consumption growth

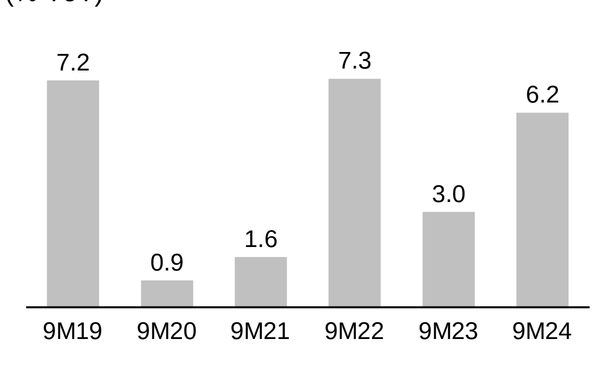
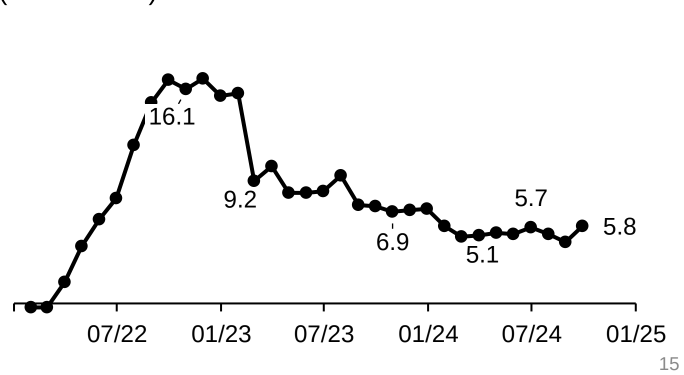


Figure 28: Real retail sales growth



Sources: GSO, TCB Market Research

Section 3

TECHCOMBANK

Vietnamese Economy *(Cont.)*

Figure 29: International tourists

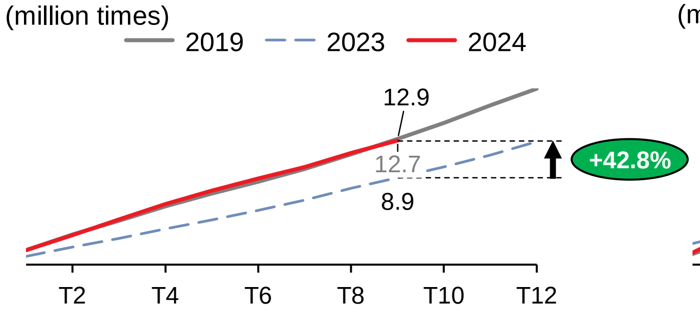
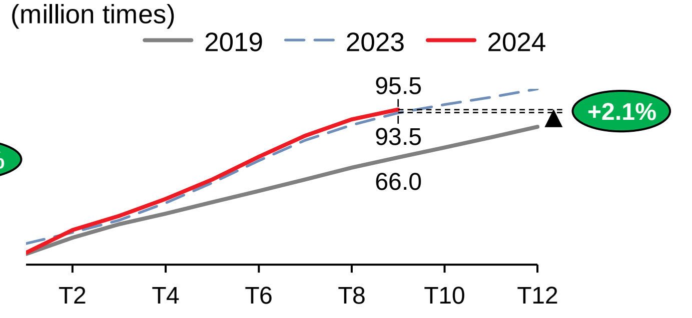


Figure 30: Domestic tourists



Domestic demand remains weak, even though Vietnam's tourism industry has fully recovered

From the demand side, final consumption growth in 9M24 increased by 6.2%, and the real retail sales growth of goods and services registered at 5.8% YoY. We believe that domestic demand is not very strong as it is still lower than the GDP growth rate of 6.8%. This is notable given that the Government has introduced several support programs such as a 2% VAT reduction, and salary increases for the public sector. Meanwhile, tourism sector exhibit a positive momentum, as the number of international visitors in 9M24 has fully recovered compared to the pre-Covid period, while the number of domestic tourists remains stable. In September alone, the number of international visitors decreased by 11% month-on-month due to the impact of the storm in the Northern provinces. Consequently, travel and tourism activities were disrupted, leading to the cancellation of tours. We expect the number of international visitors to increase again as key tourist destinations such as Quang Ninh, Hai Phong, Hanoi, etc., have accelerated recovery to welcome visitors during the peak season at the end of the year. Additionally, the Vietnam National Administration of Tourism is implementing a series of programs to promote Vietnamese tourism in countries such as Australia, France, Japan, South Korea, and recently, Vietnamese film tourism in the US.

Figure 31: MoM inflation contribution

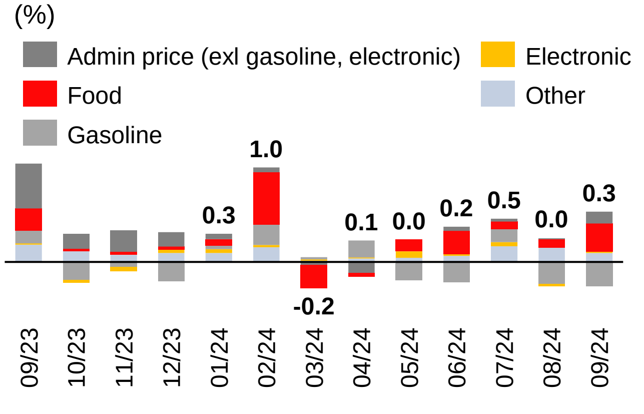
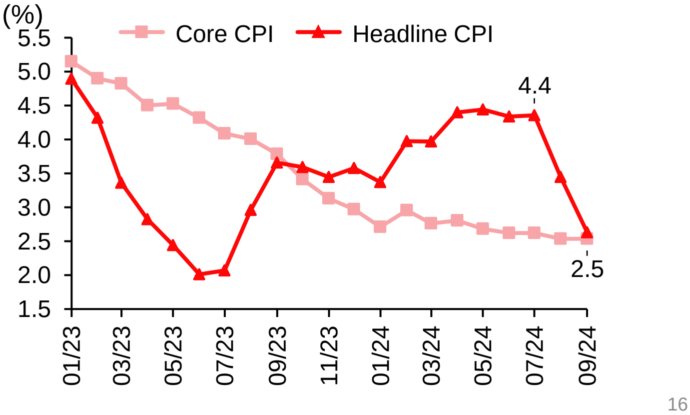


Figure 32: YoY headline and core CPI



Sources: GSO, TCB Market Research

Section 3

Vietnamese Economy *(Cont.)*

The average CPI for 2024 is forecast to fluctuate in the range of 3.5% to 4%.

As noted in last month's report, storms and floods have impacted September's inflation. Specifically, the prices of food items such as vegetables, fruits, and seafood have risen significantly, contributing 0.3% to MoM inflation. However, September's inflation only increased by 2.6% YoY, given the high base from the previous year. In the coming period, inflation will be pressured by the following factors. ***Firstly***, amid rising geopolitical tensions in the Middle East, WTI crude oil prices could increase to 75-80 USD per barrel (according to Bloomberg). ***Secondly***, the prices of vegetables and seafood may rise due to the impact of the La Nina phenomenon. Specifically, the National Center for Hydro-Meteorological Forecasting predicts a 60-70% chance of La Nina occurring from September to November, leading to heavy rains and floods. ***Thirdly***, the adjustment of admin prices shall affect the CPI in the last months of the year. For instance, electricity prices were adjusted in October and healthcare prices may also be adjusted upwards in the coming months. Nevertheless, we still forecast that the CPI will only increase by about 3.0% in the last months of the year. Accordingly, the average CPI for the whole year 2024 will fluctuate in the range of 3.5% - 4.0%, still below the Government's target.

Figure 33: Changes of regional currencies compared to USD

(% YTD)

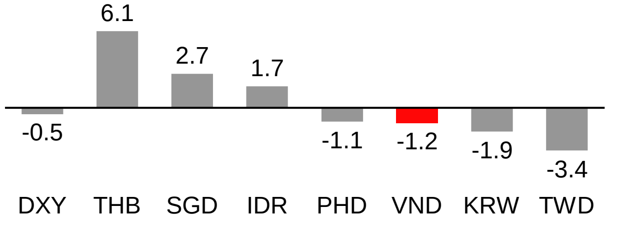
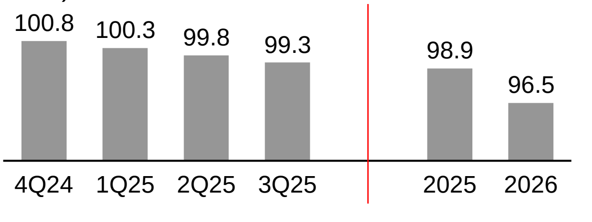


Figure 34: DXY forecast by Bloomberg

(Index)



VND is forecast to depreciate by only 1-2% by the end of 2024

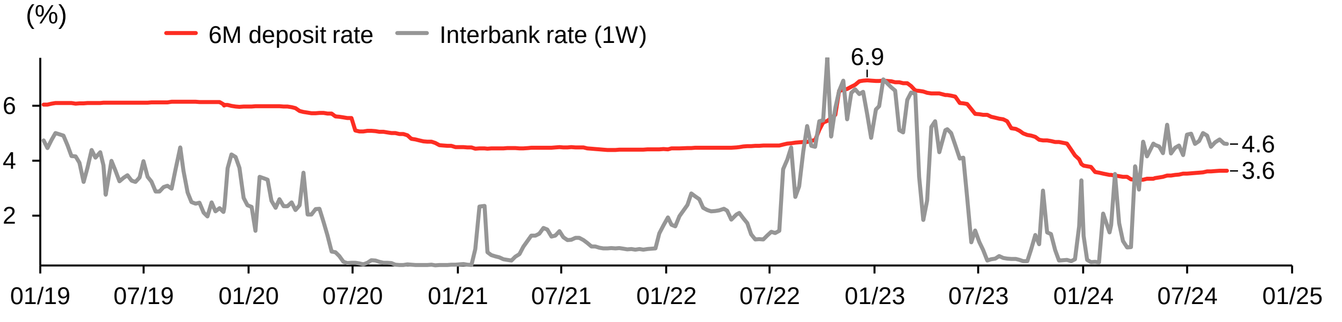
As mentioned in last month's report, the USD/VND exchange rate is currently heavily influenced by the DXY. In September, the USD/VND exchange rate dropped sharply by more than 350 points from 24,900 to 24,550, before increasing by 300 points to 24,850 in the early days of October. Correspondingly, the DXY fluctuated between 100.4 and 102.9. In the coming period, we forecast that the USD/VND exchange rate will continue to fluctuate between 24,500 and 24,900 due to uncertainties surrounding the US presidential election in November

Sources: GSO, Bloomberg, TCB Market Research

Vietnamese Economy *(Cont.)*

and increasing tensions in the Middle East. Nevertheless, we predict that the VND will only depreciate by 1-2% by the end of 2024 (corresponding to USD/VND in the range of 24,500 to 24,700). ***Firstly***, according to Bloomberg, the average DXY in Q4 is around 100.8 points, corresponding to a 0.5% decrease YTD. ***Secondly***, we expect USD inflows into Vietnam from remittances and large FDI disbursements, which typically occur at the end and beginning of the year.

Figure 35: Average 6M deposit interest rate of G14



Interbank interest rates are forecast to decrease, while deposit interest rates would remain flat or increase slightly

In the context of decreasing pressure on the devaluation of the VND, the State Bank of Vietnam (SBV) has reduced the OMO (Open Market Operations) interest rate by 25 basis points to 4.0%. This indicates SBV's clear signal of maintaining a low and stable interest rate environment to stimulate economic growth. In the near future, the SBV may continue to cut interest rates following the Federal Reserve's rate cuts. The 1-week interbank interest rate is anticipated to decrease but remain above 3%. The reason is that SBV's sale of USD at the beginning of the year has affected total deposit growth, creating a significant gap between deposit growth and credit growth, resulting in interbank liquidity not being too abundant. According to the General Statistics Office (GSO), as of September 27, deposit and credit growth were 4.8% and 8.5% YTD, respectively. We expect credit demand to increase as the economy continues to recover, and credit growth would still outpace deposit growth. Specifically, we project credit and deposit growth for 2024 would be 14% and 10.3%, respectively. Accordingly, the 6-month deposit interest rate of G14 is forecast to remain flat or increase slightly in the remaining months of the year.

Sources: SBV, Reuters, TCB Market Research
Note: G14 consists of 14 joint-stock commercial banks

Section 4

Appendix

Updates on macroeconomics and financial market in the world

Indicators	Country	Unit	2023	10	11	12	2024								
							01	02	03	04	05	06	07	08	09
Real GDP Growth	US	%, YoY, Quarterly				3.1			2.9			3.0			
	Eurozone	%, YoY, Quarterly				0.0			0.4			0.3			
	China	%, YoY, Quarterly				5.2			5.3			4.7			
	Japan	%, YoY, Quarterly				1.2			-0.2						
CPI	US	%, YoY, Monthly		3.24	3.14	3.40	3.1	3.2	3.5	3.4	3.3	3.0	2.9	2.5	2.4
	EU	%, YoY, Monthly	5.46	2.90	2.40	2.90	2.8	2.6	2.4	2.4	2.6	2.5	2.6	2.2	
	China	%, YoY, Monthly		-0.20	-0.50	-0.30	-0.8	0.7	0.1	0.3	0.3	0.2	0.5	0.6	0.4
	Japan	%, YoY, Monthly		3.30	2.80	2.60	2.2	2.8	2.7	2.5	2.8	2.8	2.8		
Fed funds target rate		%. End of month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.00
DXY		Index. Monthly Average	103.25	106.35	104.49	102.69	102.95	104.1	103.7	105.41	104.95	105.17	104.63	102.21	101.0
USD/CNY		Index. Monthly Average	7.08	7.31	7.22	7.15	7.17	7.19	7.20	7.24	7.23	7.25	7.26	7.15	7.08
10Y UST Yields		%. Monthly Average	3.96	4.80	4.51	4.05	4.05	4.23	4.21	4.51	4.48	4.31	4.25	3.87	3.72
WTI Oil price		USD/barrel. Monthly Average	77.66	85.47	77.38	72.06	73.86	76.61	80.4	84.4	78.6	78.7	80.48	75.43	69.37

Updates on macroeconomics and financial market in Vietnam

Indicators	Unit	2023	10	11	12	2024								
						01	02	03	04	05	06	07	08	09
Real GDP growth	%, Quarterly, YoY	**5.05**			6.72			5.87			7.09			7.4
IIP	%, Monthly, YoY	**1.50**	4.38	5.79	5.76	18.86	-6.81	4.13	6.30	8.90	10.92	11.23	9.50	10.84
Headline CPI	%, Monthly, YoY	**3.25**	3.59	3.45	3.58	3.37	3.98	3.97	4.40	4.44	4.34	4.36	3.45	2.63
Retail sales growth	%, Monthly, YoY	**9.60**	7.0	10.1	9.3	8.1	8.5	9.2	9.0	9.0	9.1	9.4	7.9	7.6
Registered FDI	USD billion, Monthly	**28.10**	5.20	2.30	5.20	2.2	1.8	1.7	2.6	1.7	3.5	2.2	2.0	3,5
Disbursed FDI	USD billion, Monthly	**23.20**	2.10	2.30	2.90	1.5	1.3	1.8	1.7	2.0	2.6	1.7	1.6	3.2
Trade exports	USD billion, Monthly	**355.5**	32.50	31.20	32.1	34.5	24.7	33.7	31.1	32.3	34.5	36.8	38.0	34.2
Trade imports	USD billion, Monthly	**327.5**	29.50	29.90	29.6	30.9	23.3	30.9	29.9	32.7	31.2	34.1	33.9	32.0
Trade balance	USD billion, Monthly	**28.00**	2.90	1.30	2.40	3.6	1.4	2.8	1.2	-0.4	3.0	2.7	4.1	2.2
Deposit growth	%, YTD	**10.85**	7.09	8.88	13.20	-1.29	-1.70	-0.90	-0.1	0.00	2.60	2.00		
Credit growth	%, YTD	**13.50**	7.10	9.15	13.78	-0.68	-0.75	1.42	2.01	3.43	6.10	5.93		
10Y Government bond yields	%, Monthly Average	**3.07**	2.90	2.56	2.26	2.25	2.32	2.50	2.78	2.80	2.80	2.79	2.73	2.68
1W Interbank rate	%, Monthly Average	**2.60**	1.37	0.71	0.82	0.43	2.53	1.32	4.20	4.55	4.84	4.79	4.64	4.14
6M Deposit rate**	%, Monthly Average	**6.44**	5.18	4.98	4.64	4.24	4.01	3.82	3.75	3.87	4.10	4.24	4.39	4.43
USD/VND	Monthly Average	**23,847**	24,488	24,321	24,283	24,476	24,520	24,724	25,153	25,446	25,443	25,370	25,026	24,624

Updated full-year forecasts for Vietnam

Indicators	Unit	2023			2024									Forecast
		10	11	12	01	02	03	04	05	06	07	08	09	2024
Real GDP growth	%			6.72			5.87			7.09			7.40	6.80
Headline CPI	%, YoY. Average	3.59	3.45	3.58	3.37	3.98	3.97	4.40	4.44	4.34	4.36	3.45	2.60	3.67
Deposit growth	%, YTD	7.09	8.88	13.20	-1.29	-1.70	-0.90	-0.1	0.00	2.60	2.00			10.30
Credit growth	%, YTD	7.10	9.15	13.78	-0.68	-0.75	1.42	2.01	3.43	6.10	5.93			14.00
USD/VND	Average	24,488	24,321	24,283	24,476	24,520	24,724	25,153	25,446	25,443	25,370	25,026	24,624	24,886
10Y Government bond yields	%, 10Y, Average	2.90	2.56	2.26	2.25	2.32	2.50	2.78	2.80	2.80	2.79	2.73	2.68	2.60
1W Interbank rate	%, Average	1.37	0.71	0.82	0.43	2.53	1.32	4.20	4.55	4.84	4.79	4.64	4.14	3.54

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

Notes:

* Estimated numbers

** Weighted average of 14 banks

The latest trade data updated by GSO. Previous data updated by Customs

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