

# Annual Updates on Macroeconomic and Financial Market in 2022

**Hanoi, January 2023**

Prepared by Economic and Financial Market Analysis team



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## World Economy

- ▶ **World:** Global economy is expected to suffer from more difficulties and challenges in 2023, as Russia – Ukraine war has not ceased yet while numerous countries have maintained high interest rates to control inflation. Thus, there would be a decline in consumption demand and investment. Global Gross Domestic Product(GDP) growth is forecast to be in the 1.4-2.7% range in 2023, which is below 2022 estimated number at 3.1%.
- ▶ **US:** US economy in 2023 is forecast to grow at 0.4%, much lower than 2.5% estimated for 2022 growth. Inflation has not been back to normal level yet, so the interest rate hikes by Federal Reserve (Fed) might not come to an end. As a result, the growth of American consumption has dropped in recent months.
- ▶ **European Union (EU):** EU recession probability is currently at 80%. There was a significant inflation at 10.6% in November 2022 due to direct impacts of Russia – Ukraine war. Consequently, EU citizens had to prioritize payments for energy costs rather than for other consumption goods.
- ▶ **China:** China's economy is expected to rapidly recover in 2023 after Zero-COVID policy has been fully removed since January 8<sup>th</sup>, 2023. GDP growth is forecast to strongly improve from 3% in 2022 to 5% in 2023.

## Vietnam Economy

- ▶ 2022 GDP growth was 8.02%, which has been the highest level since 1997. Domestic consumption and export-import activities are key drivers of 2022 high growth, though it partly resulted from 2021 low base. In 2023, Vietnam economy would encounter with much more challenges and obstacles. For example, there would be the demand decline in huge markets such as US and EU, while domestic inflation has an upward tendency. For the first time in many years, the Government has adjusted average inflation target from 4% to 4.5% in 2023. We forecast 2023 GDP growth would be c. 6.0%.
- ▶ Fed's rate hike cycle is expected to end in 2023, while interest rates in Vietnam significantly increased in 4Q2022. Hence, VND-USD interest rate gap has been increasing. Although VND depreciation has reached 9% at some points, on December 31<sup>st</sup>, 2022, VND only depreciated by 3.4% YoY against USD, much lower than the depreciation of other currencies in the region. In 2023, we expect there would be capital inflows and trade surplus in Vietnam, while balance of payments (BOP) would reach USD 14 billion. Thus, VND would appreciate c. 1.5% by the end of 2023.
- ▶ In 2023, the disbursement of public investment would reach VND 700 trillion, including 2022 undisbursed funding and the funding from 2022-2023 stimulus package. Although all VND 700 trillion might not be totally disbursed, the disbursement rate in 2023 would be higher thanks to Government's recent policies. Furthermore, surplus BOP could help State Bank of Vietnam (SBV) purchase foreign currencies, i.e. an equivalent amount of VND would be bumped into the economy. These are two key drivers that increase 2023 money supply. We expect banking system's deposit growth to increase by 13.6% in 2023, which is much higher than the estimated level at 7.8% in 2022.
- ▶ Given higher deposit growth and credit growth at c. 14% controlled by SBV, the gap between deposit growth and credit growth would be significantly narrowed. Hence, SBV would be able to lower the ceiling of deposit rates in 2023, and the cut is expected to be 50 basis points (bps). Although the 50 bps cut is much lower than the 200 bps rate hike in 2022, it is crucial for commercial banks to decrease their deposit rates and increase their lending.



# WORLD ECONOMY

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# World economy in 2022 and 2023 outlook

## 2022

US, EU

COVID-19 UNDER CONTROL

Investment, trade and tourism activities are back to normal.

CHINA

ZERO-COVID POLICY CONTINUITY

Global supply chain was disrupted.

Prices inflated in the worldwide scale.

US, EU

RUSSIA – UKRAINE WAR

Central banks raised interest rates in order to control inflation.

## 2023

CHINA

REOPENING

Global supply chain would recover.

US, EU

WELL-MANAGED INFLATION

US, EU

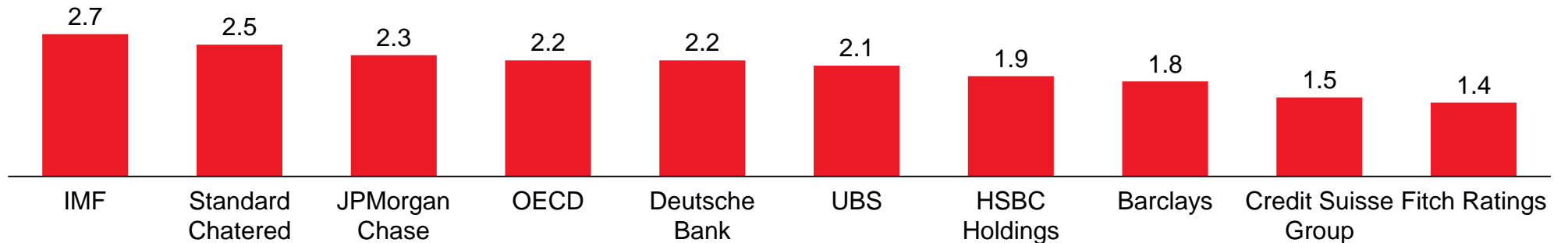
RUSSIA – UKRAINE WAR

Investment activities would be constrained

HIGH INTEREST RATES

Consumption would be in decline.

2023 global GDP growth forecast by international organizations (YoY, %)



# Economy in the United States

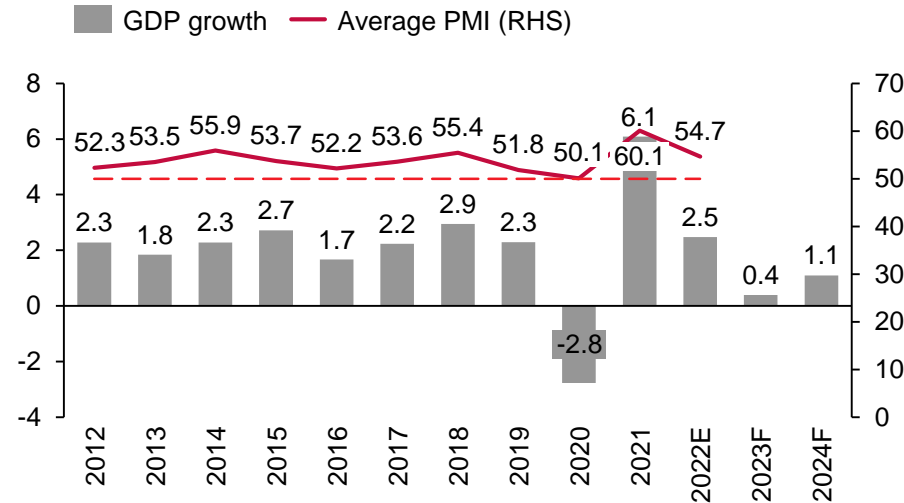
There is an increasingly high possibility that **US economy shall suffer from recession in 2023.**

US economy is expected to grow at 2.5% in 2022, which is a relatively high growth rate in the context of uncertainties in the global economy. However, strong recovery of oil and manufacturing industries was remarkable in 2022.

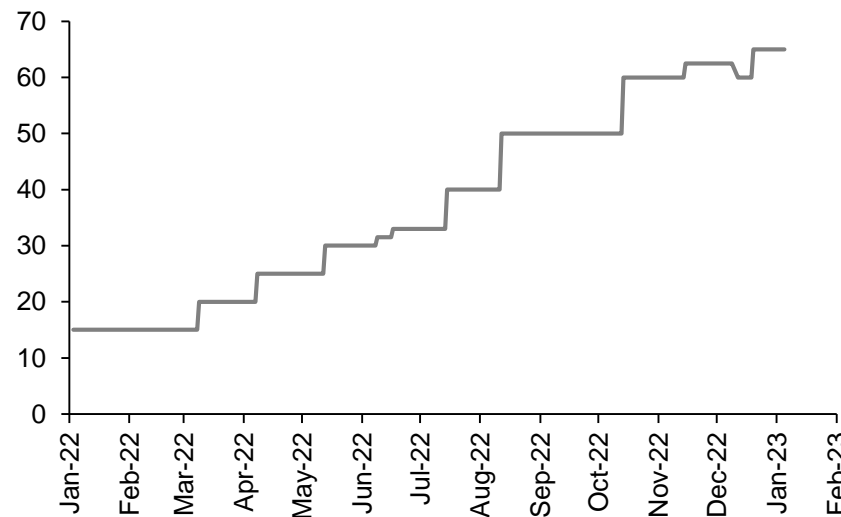
Although there was a signal of peak inflation in June 2022, inflation has remained high, putting consumption need of American people in decline. Retail sales growth in November was 7.7%, much lower than 11-month average at 11.2%. This downward trend is forecast to continue when Fed's rate hike may be carried on.

As consumption accounts for 70% of US GDP, it is more likely that the US economy may fall into recession. US recession probability has reached 65%.

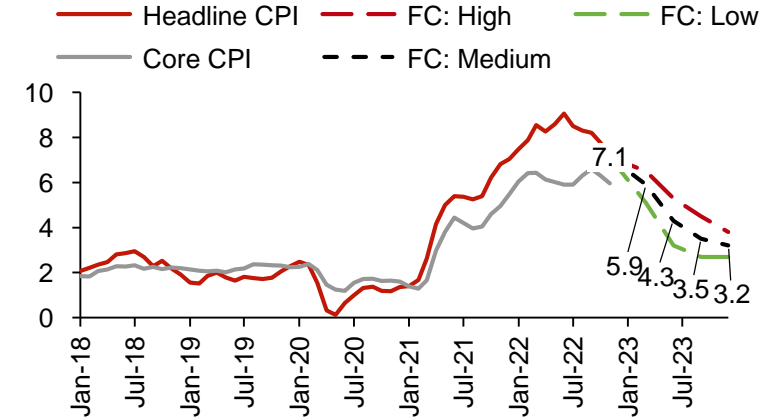
### GDP growth (%)



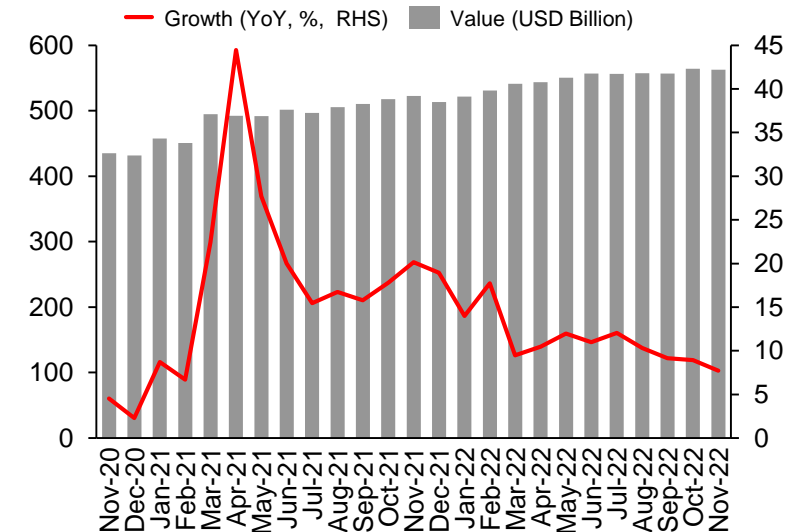
### US recession probability (%)



### Inflation movements (%)



### Nominal Retail Sales



# Economy in the United States (Cont.)

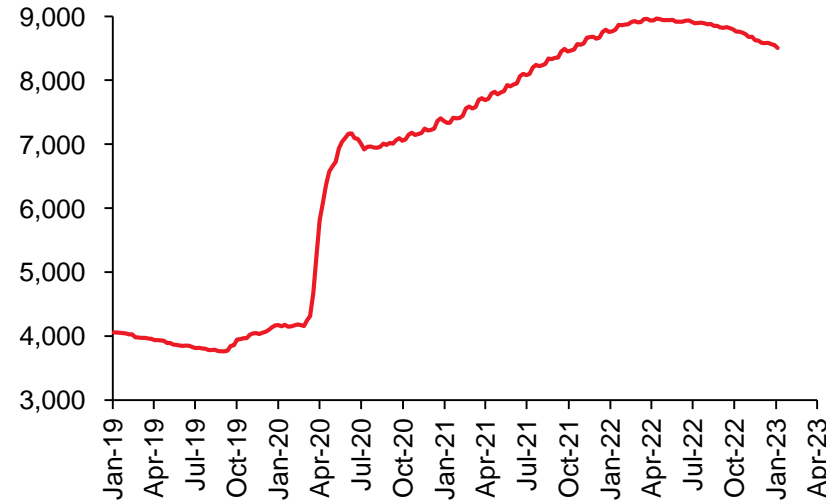
**DXY index has signaled a peak, while Fed's rate hike cycle would cease soon.**

When COVID-19 occurred in March 2020, Fed quickly carried out the balance sheet expansion through quantitative easing programs to save US economy from Great recession as in the 2008-2009 period. Currently, as US economy has been showing recovery momentum, Fed starts its balance sheet drawdown.

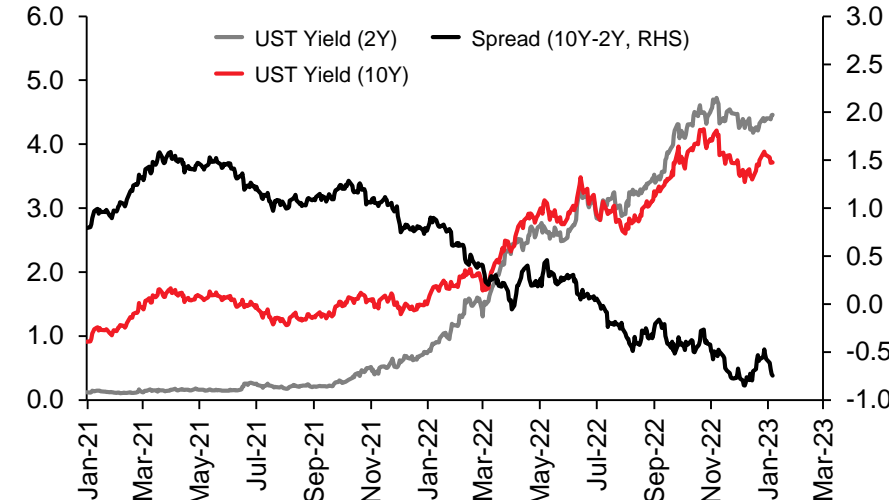
Shrinking money supply associated with high inflation have heightened the US recession possibility. The current 2-year US bond yield is 75 bps higher than the 10-year one, which is a reliable indicator of US recession.

As a result, there have been some market reactions to macroeconomic movements. Specifically, Fed may cut interest rates in the end of 2023 rather than 2024 as forecast by Fed. Meanwhile, DXY index decreased by nearly 8% compared to the peak at 114 in September 2022.

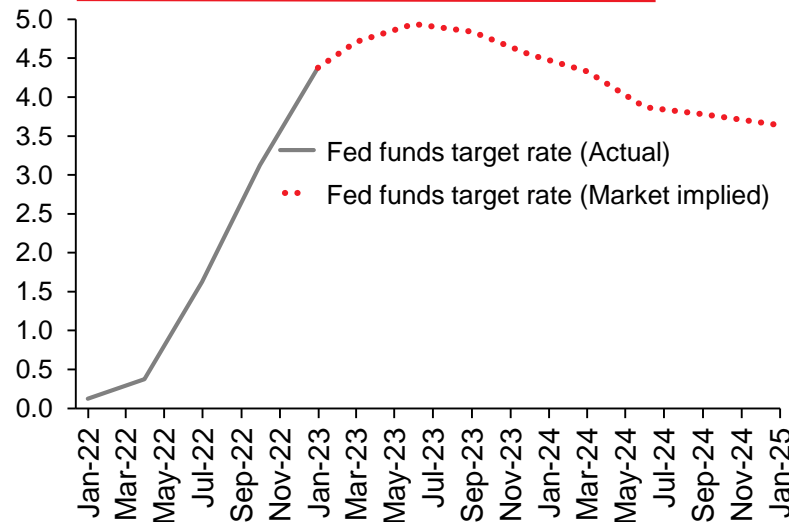
**Fed's Balance Sheet (USD Billion)**



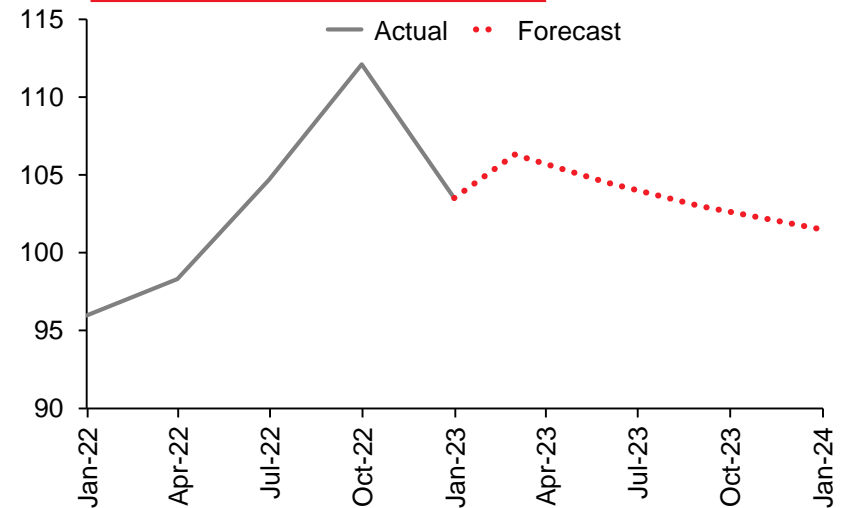
**US Treasury bond yields (%)**



**Fed's target rate (% , polled by Bloomberg)**



**DXY Index (Polled by Bloomberg)**



# Economy in the European Union

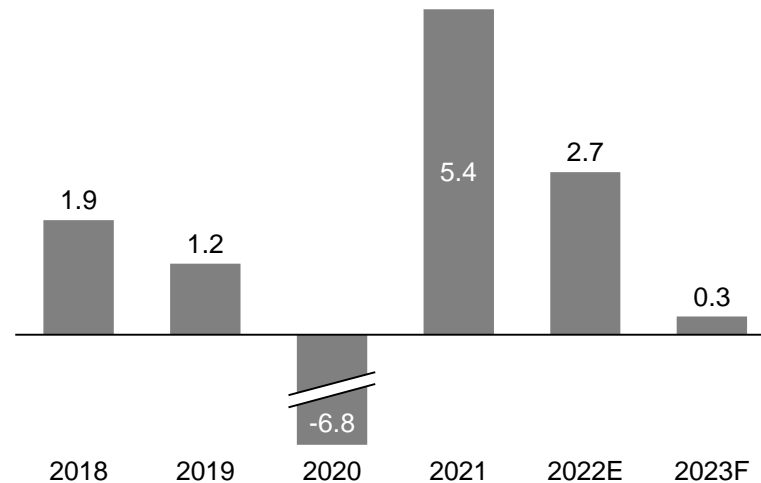
Consumption has decreased and the recession probability in European Union (EU) has reached 80%.

EU has been directly and most affected by Russia-Ukraine war starting in February 2022, as EU has not been self-sufficient in food and energy supplies. Thus, the substantial increase in commodity price such as Brent crude oil price (which has almost reached USD 130/barrel at some points) caused double-digit inflation in the EU in 2021.

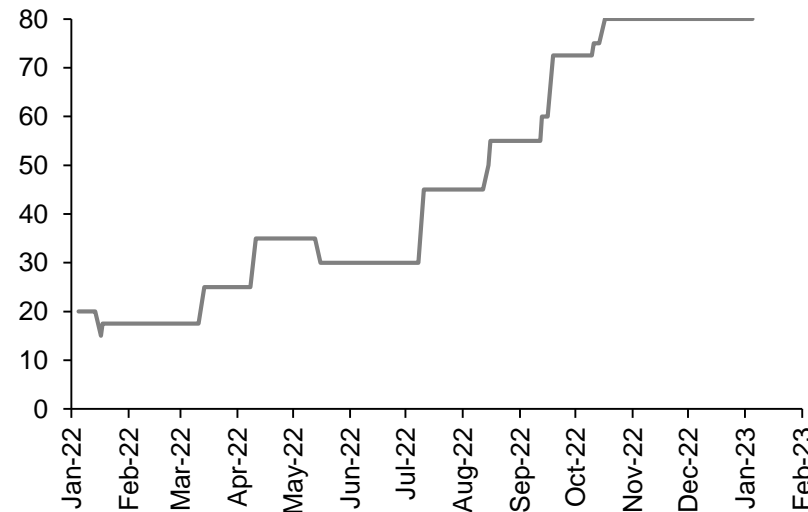
As a consequence of high inflation, European Central Bank (ECB) has raised interest rates by 50 bps to 0% from -0.5% for the first time in 11 years starting in July 2022. After interest rates hiked for the fourth time in 2022, ECB's refinancing rate was at 2.5%. This current situation is totally opposite to loosing monetary policies conducted by ECB during the last decade.

Nevertheless, high inflation deteriorated retail sales growth in the fourth quarter of 2022. EU's GDP growth is forecast to be 0.5% in 2023.

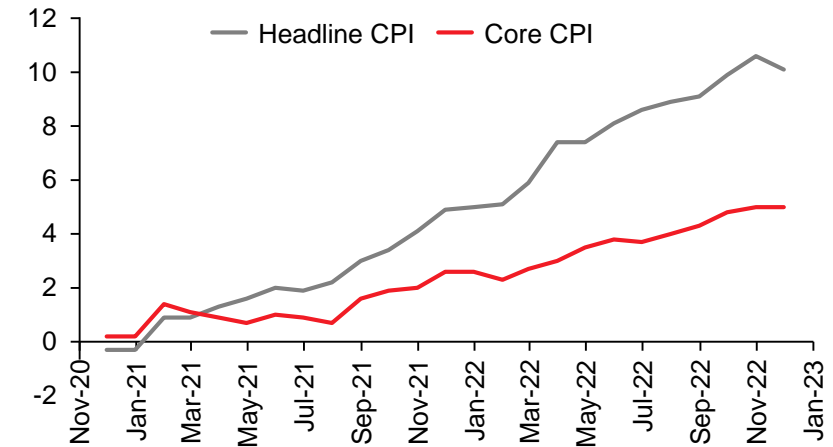
GDP growth (%)



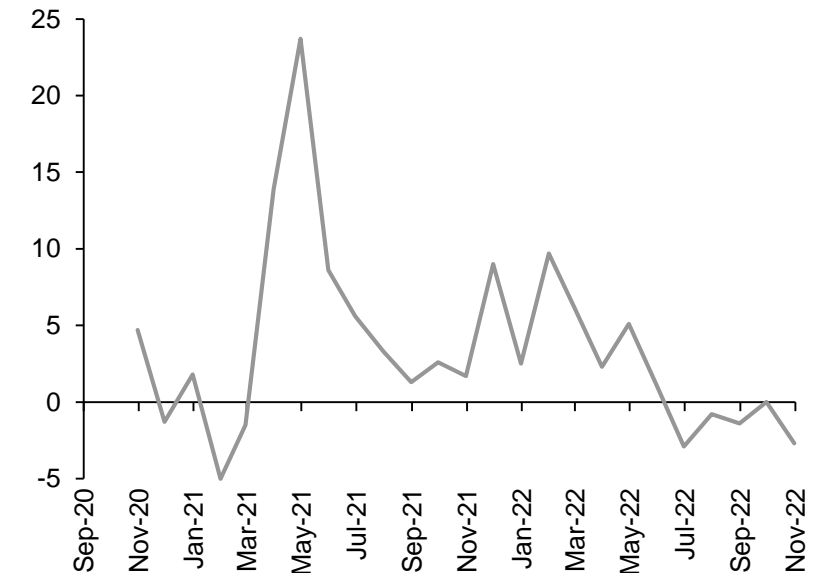
EU recession probability (%)



Inflation (YoY, %)



Retail sales growth (YoY, %)





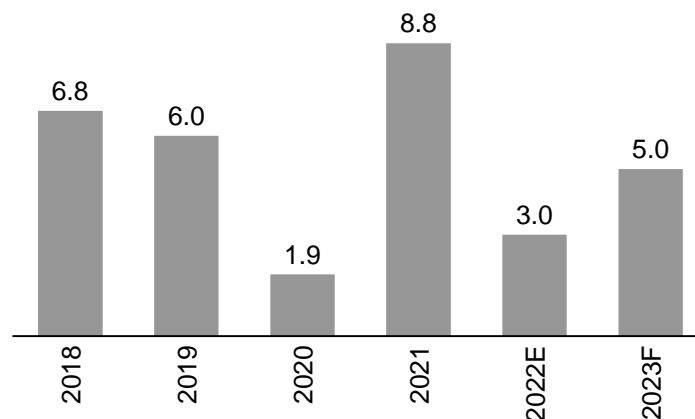
China's economy is expected to be on track for the rapid recovery in 2023.

In 2022, China maintained its Zero-COVID policy for the whole year. Consequently, 2022 economic growth is forecast to be around 3% which is slightly higher than 1.9% in 2020. However, Zero-COVID policy has saved China from high recession possibility as in the US and EU.

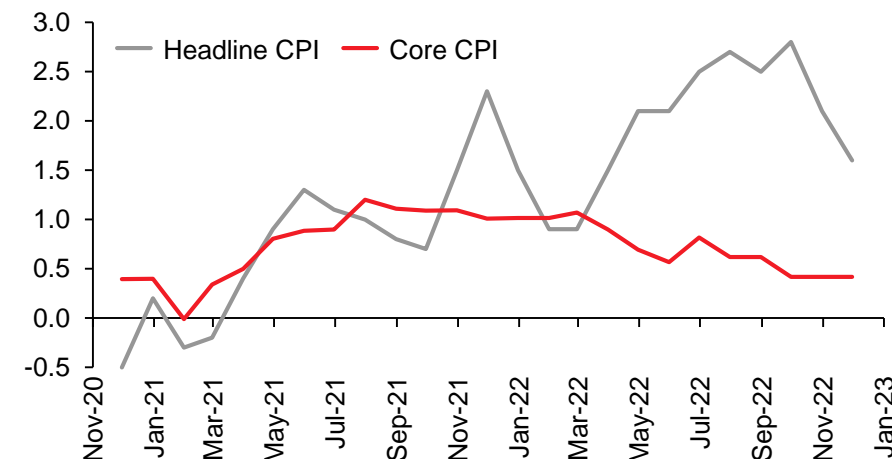
In fact, China's economy is facing both domestic and external challenges. Regarding domestic factors, real estate sector has been deteriorating. Meanwhile, there has been a shrinkage in external elements such as consumption needs in the US and EU, which plunged November export and import growth to almost -10%.

Recently, Zero-COVID policy has been fully removed since January 8<sup>th</sup>, 2023. This is considered as a key driver of 2023 economic growth. GDP is expected to grow at 5% in 2023.

**GDP growth (%)**



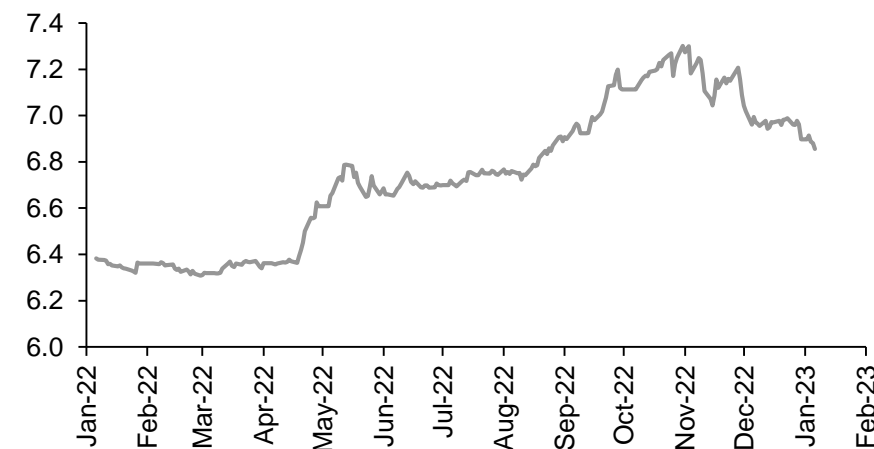
**Inflation (YoY, %)**



**Export and import growth (YoY, %)**



**USDCNY movement**





# VIETNAM ECONOMY

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# Vietnam economy in 2022: Overview

**2022 GDP growth was 8.02%, which has been the highest rate since 1997.**

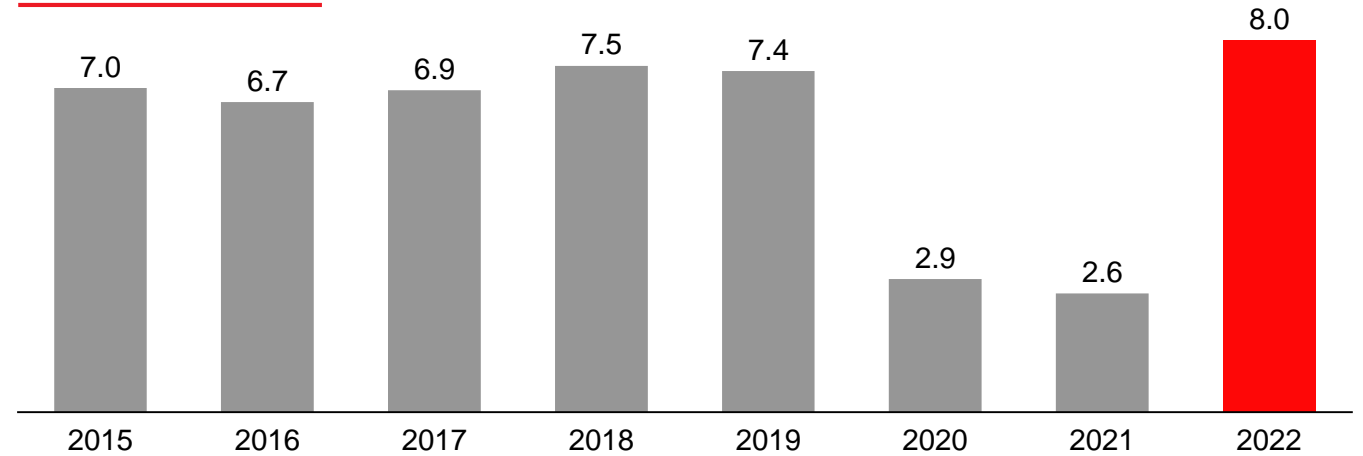
After experiencing low growth in 2 consecutive years (2020 and 2021) due to COVID-19, Vietnam economy rapidly recovered in 2022.

Among three economic sectors, the services sector reported the highest rise at 9.99%, equivalent to 4.1% GDP growth. While the manufacturing and construction sector rose by 7.78%, recording 3.0% GDP growth, the agriculture, forestry and fishery sector increased by 3.36%, contributing 0.4% GDP growth. Thus, the recovery has been observed in all three economic sectors.

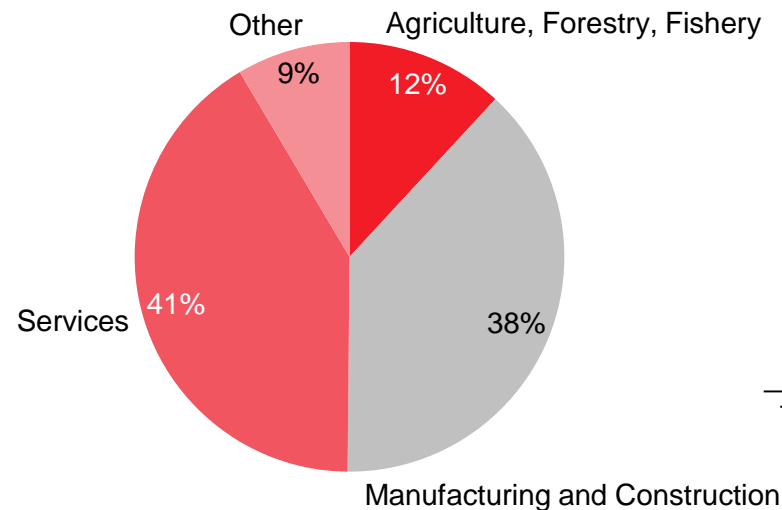
Regarding services sector, wholesales and retail sales, transportation and storage recorded the highest growth at 10.2% and 11.9% respectively, thanks to the rapid recovery of consumption need after the economy fully reopened from March 15<sup>th</sup>, 2022. Besides, accommodation and catering services increased by 40.6% thanks to domestic tourism.

However, it is worth noting that 2022 remarkable growth partly resulted from the low base in 2021. In fact, there have existed both domestic and external challenges to the 2023 economy.

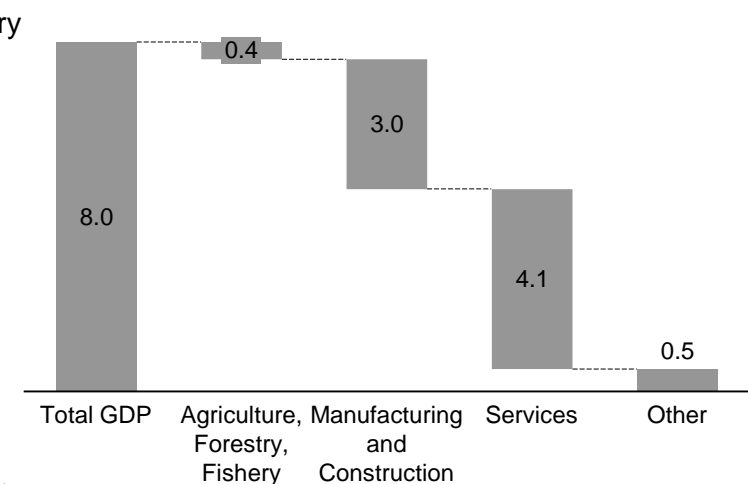
Real GDP growth (%)



GDP by sectors in 2022



GDP growth contribution in 2022 (%)



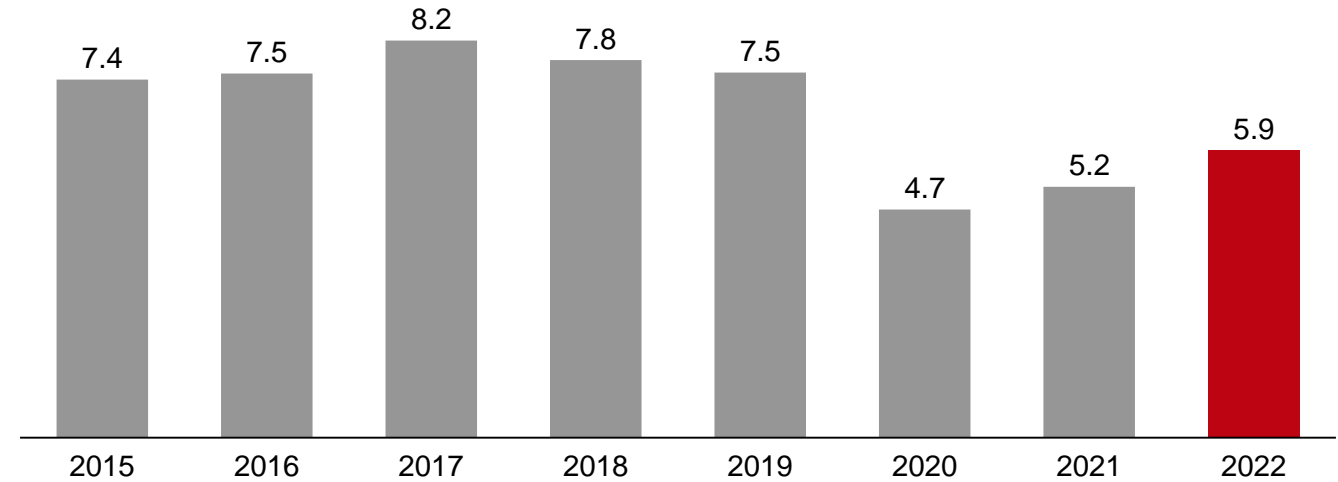
**Economic slowdown signals have been seen since the fourth quarter of 2022 as the growth was only at 5.9%**

Despite exceeding 4Q20 and 4Q21 figures, 4Q22 GDP growth at 5.9% was much lower than 4Q15-4Q19 average growth at c. 7.7% due to the industry sector. High inflation and consumption decline in key export market including the US and EU dragged the number of orders down by 40% or even 60% in 4Q22 compared to the same period last year.

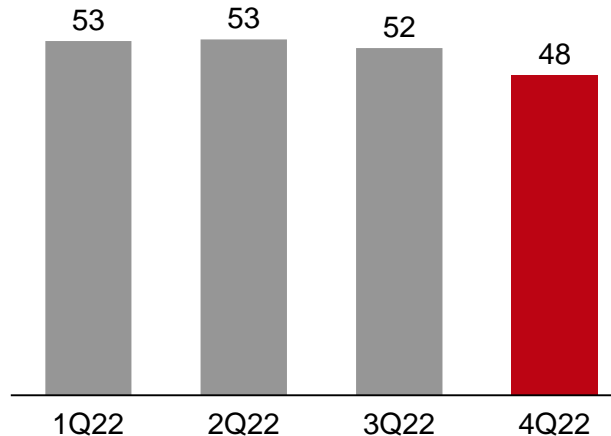
Average Purchasing Manager Index (PMI) was 48 in 4Q22, which was much below 52-53 level of 3 previous quarters and was only higher than 1Q20 and 2Q20 figures when COVID-19 restriction policies were imposed. YoY IIP growth of industry sector has had a significantly downward tendency since August and reached only 3% in 4Q22.

According to economists' forecast, there would be little improvement in 1Q23 and 2Q23 in the context that inflation remains high in the US and EU and their central banks may not stop the interest rate hike process in the first half of 2023.

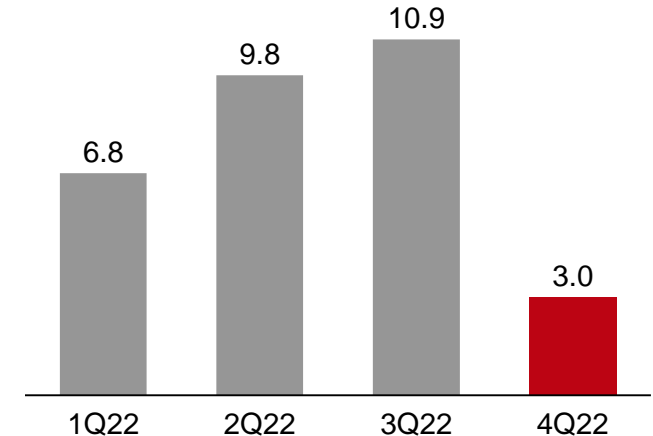
Real GDP growth in the fourth quarter (%)



Average quarterly PMI in 2022



Quarterly IIP growth in 2022 (YoY, %)





# 2022 highlights in Vietnam economy: Domestic consumption

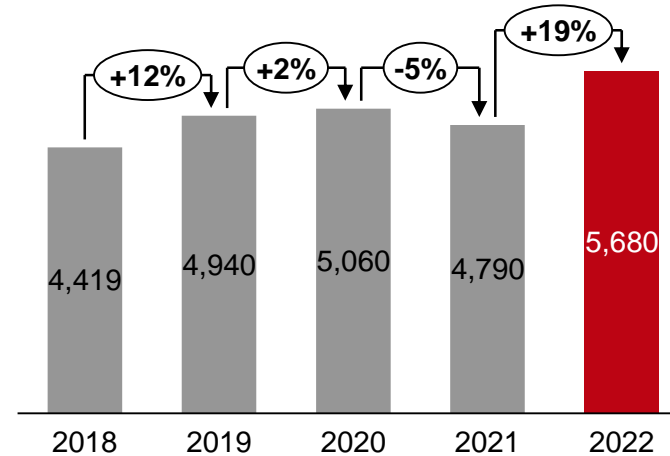
**Nominal retail sales rose by 19%, while real term increased by 16% compared to 2021.**

Despite the uncertain and challenging circumstances, double-digit growth of 2022 sales implied that consumers' spending would remain high.

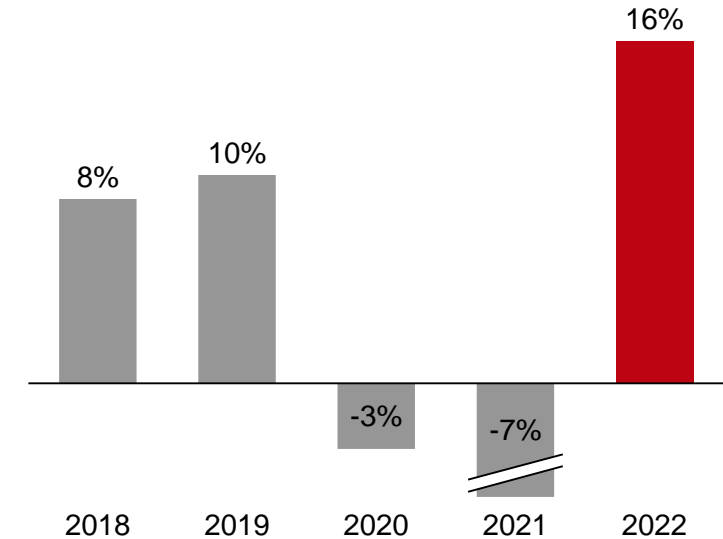
Notably, tourism recorded substantial growth at 271% in 2022, which reflected the significant rise in demand after 2 years of COVID-19 lockdowns and travelling restrictions. Spending on goods accounting for 79% of consumption structure grew by 14% but its rise was still below total nominal growth at 19%. Meanwhile, retail sales of services increased by 53%.

It can be concluded that domestic consumption continues to be a key driver of services sector. Particularly, in 2023, given shrinking demand of external markets, domestic manufacturing and export activities would face huge challenges. Thus, domestic consumption, which contributes 45% to GDP of Vietnam, is expected to help Vietnam maintain the better growth compared to regional and global economies.

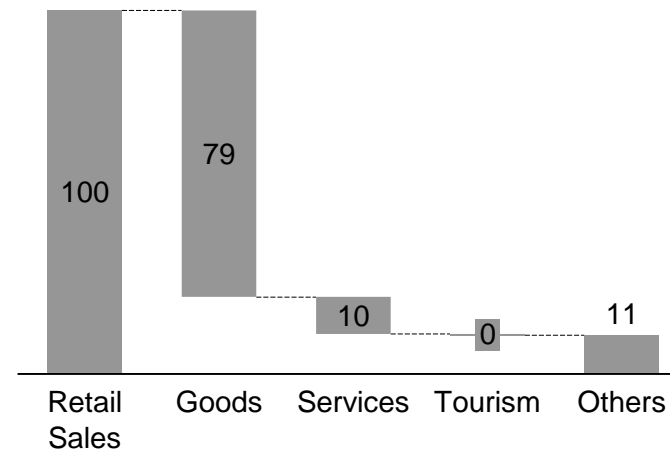
**Nominal Retail Sales (VND Trillion)**



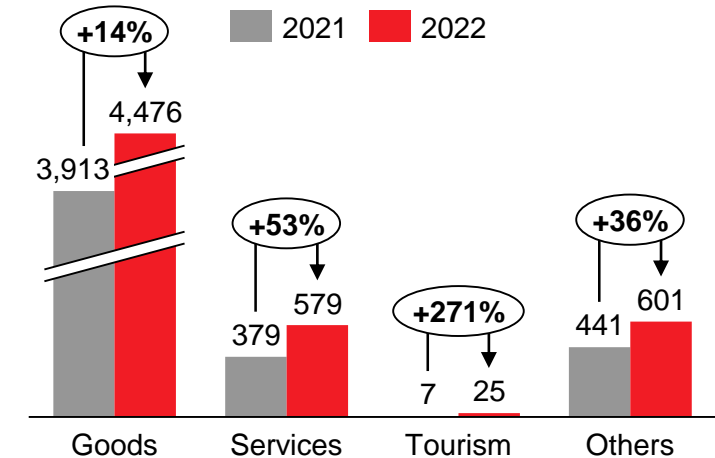
**Real Retail Sales Growth**



**Contribution of retail sales growth (%)**



**Retail sales by sectors (VND Trillion)**



## 2022 highlights in Vietnam economy: Domestic consumption (Cont.)

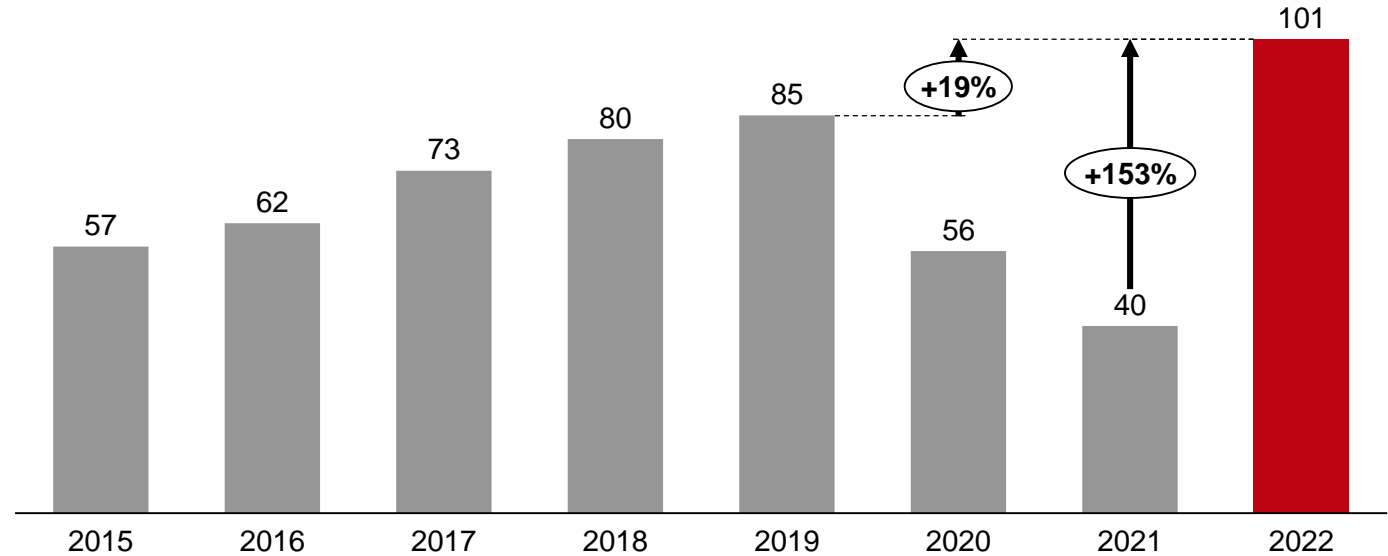
Domestic tourism has been a key driver for services sector to achieve YoY growth at 9.99% in 2022.

In 2022, there were 101 million domestic tourists in estimation, which increased by 153% YoY and by 19% compared to pre-COVID time in 2019. Meanwhile, almost 4 million international tourists visited Vietnam, i.e. there was a 80% decrease compared to 2019 figure and only 72% of 2022 target at 5 millions was achieved. It was unexpected as Vietnam was one of the earliest countries that proactively reopened for international tourism.

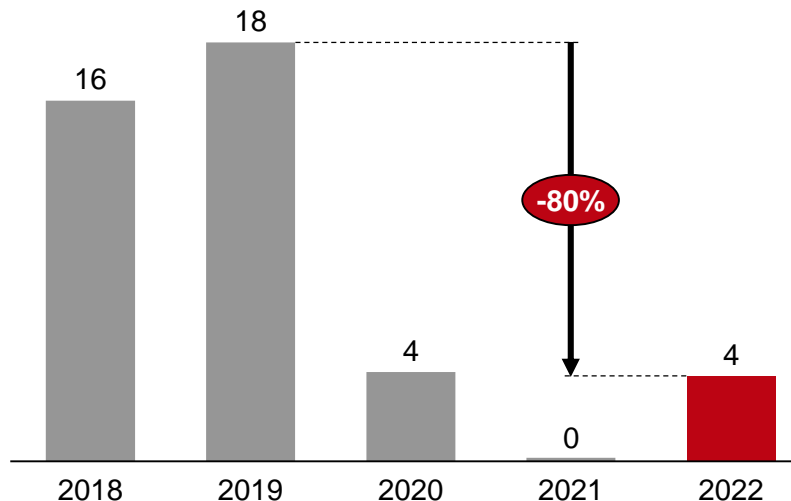
The low number of international tourists in 2022 mainly resulted from Zero-COVID policy in China. While the number of Chinese tourists contributed 32% to 2019 figure, it only accounted for 3% in 2022. As Zero-COVID restrictions have been fully removed in China since January 8<sup>th</sup>, 2023, it is expected that the number of Chinese tourists would record strong growth in the near term.

In contrast to international tourism, the domestic sector has been booming, indicating great potentials of tourism and high consumption needs. It is regarded as a crucial driver that helps Vietnam maintain high and stable growth in the long term.

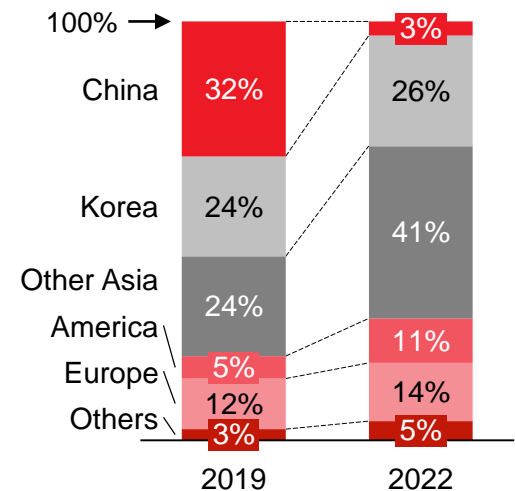
Number of domestic tourists (Millions)



Number of international tourists (Millions)



Proportion of International tourists



# 2022 highlights in Vietnam economy: International trade

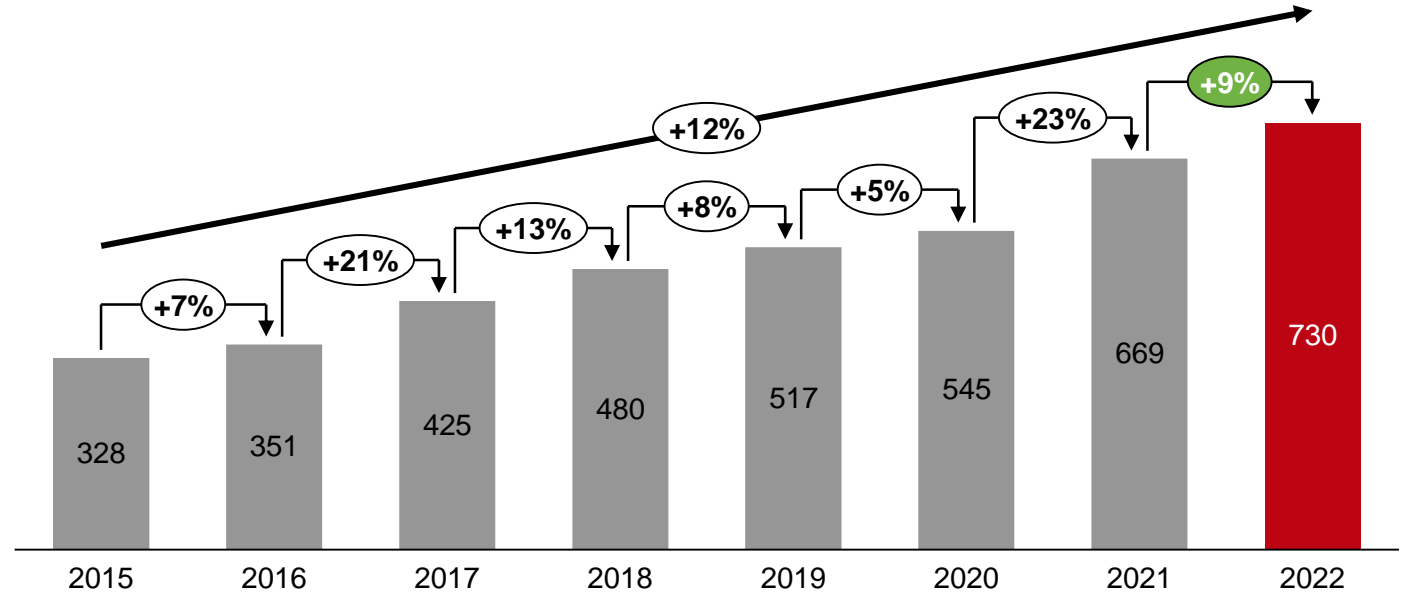
International trade is an important contributor to Vietnam's high GDP growth in 2022.

Although the world economy faced many difficulties and challenges in 2022, Vietnam's total import and export values still grew by 9%. Particularly, export values and import values were estimated to increase by 10% and 8% respectively. Besides, even in 2020, when the COVID-19 pandemic occurred, total export values still increased by 5%. Given these growth evidence, it is obvious that Vietnam has established a solid foundation of exports. Specifically, FDI enterprises which account for more than 70% of total import-export values has played a crucial role.

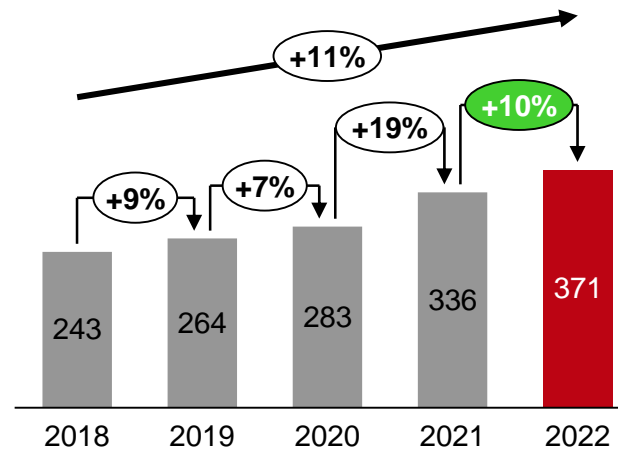
Recently, there have been a sharp decrease in the number of orders and the 16% decrease in December 2022 export values compared to the same period of 2021. That mainly resulted from the decrease in US and EU demand under inflationary circumstances. However, this decline in export activities is considered as a short-term phenomena because Vietnam's main export items are essential consumer goods such as clothing, footwear, furniture and phones.

Therefore, Vietnam's exports are likely to record positive growth in 2023.

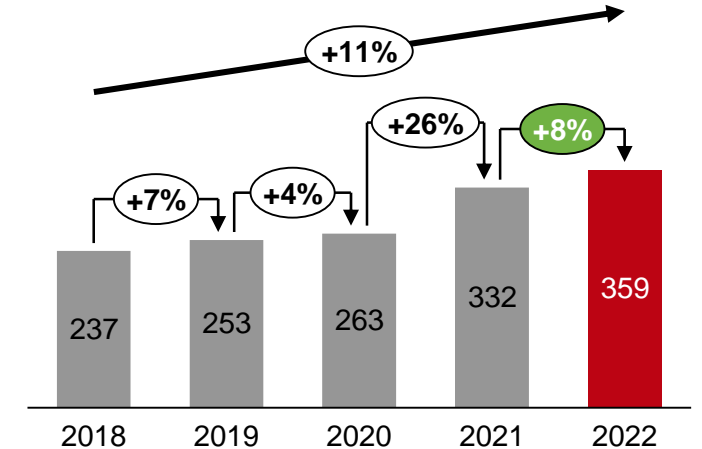
Total export – import values (USD billion)



Export values (USD billion)



Import values (USD billion)



# 2022 highlights in Vietnam economy: International trade (Cont.)

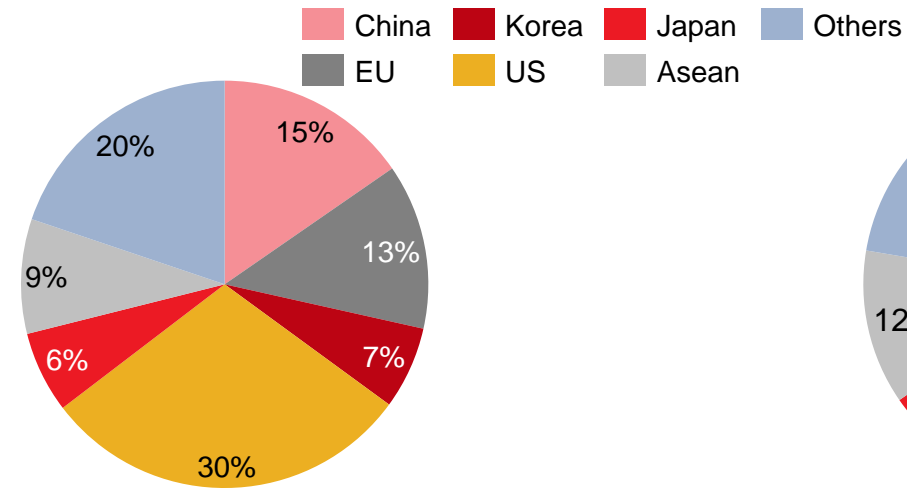
**Vietnam's exports have maintained the diversity in terms of both markets and products.**

According to Vietnam Customs in 2022, the US accounts for 30% of Vietnam's export market share, followed by China at 15% and EU at 13%. Considering export products, electronics, apparel and machinery constitute 33%, 20% and 13% respectively of total exports. Unlike electronics and machinery equipment, apparel is bringing high added value as the contribution of domestic capabilities has been increasing. Numerous Vietnamese enterprises have become self-sufficient in their manufacturing process from raw materials, design to production stages.

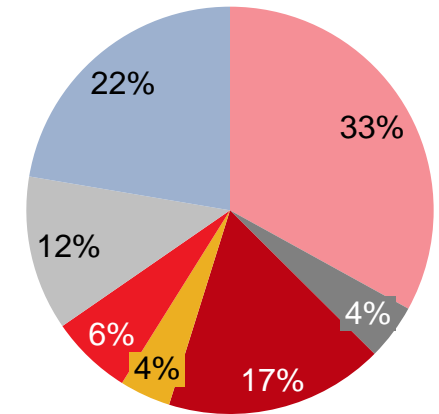
Regarding imports, China and South Korea are the two largest markets of Vietnam, accounting for 33% and 17% respectively of 2022 market share. While Korea provides Vietnam with electronic components, China is the supplier of raw materials for many different industries such as apparel, machinery and equipment.

It is implied that Vietnam's exports in terms of markets and products are highly diverse, which could possibly avoid the risk of supply chain disruptions caused by COVID-19 pandemic spread, China's Zero-COVID policy and/or Russia – Ukraine conflicts.

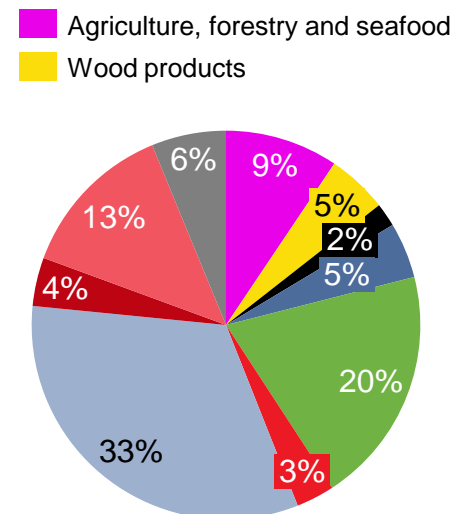
**Export proportion by countries**



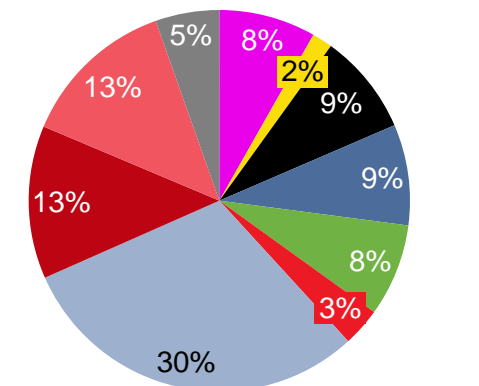
**Import proportion by countries**



**Export proportion by products**



**Import proportion by products**





# 2022 Challenges in Vietnam Economy: Inflation on uptrend

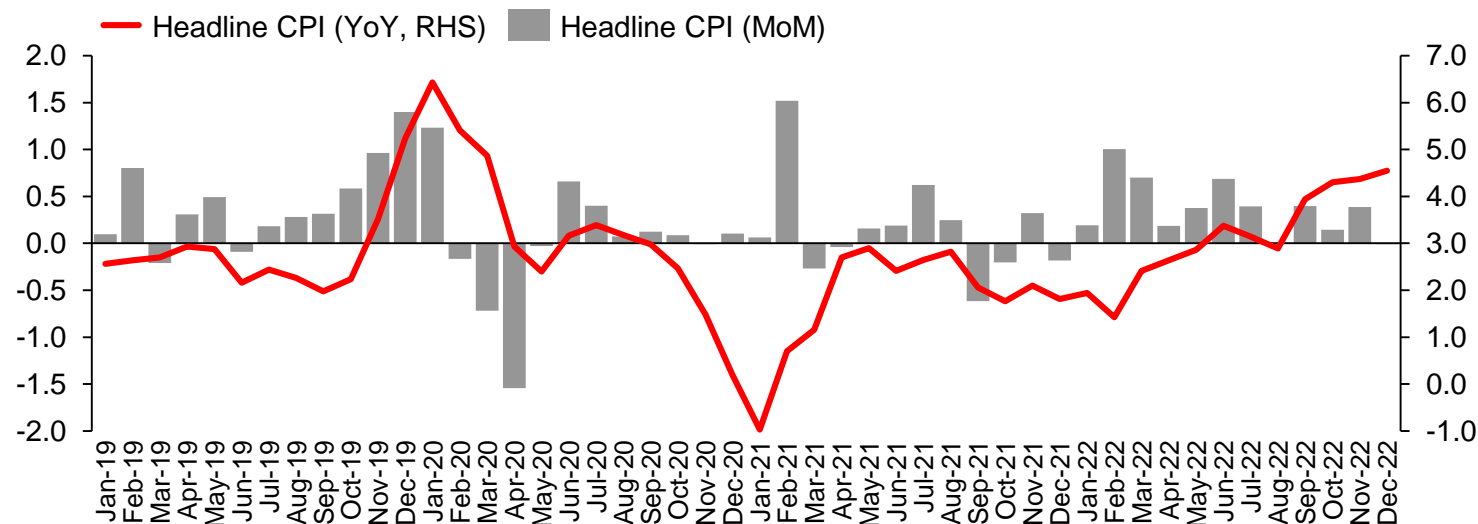
## Vietnam's inflation reached 4.5% YoY in December 2022.

Inflation has been well managed in Vietnam for the last 5 years. The highest price increase was only at over 6% in January 2020, because African swine fever raised pork price by 20% in just 1 month. The good inflation management results from Government's top priority as CPI control, along with smooth coordination among governmental bodies in managing prices of admin-controlled items. Therefore, the target of controlling average inflation below 4% has been achieved for many years.

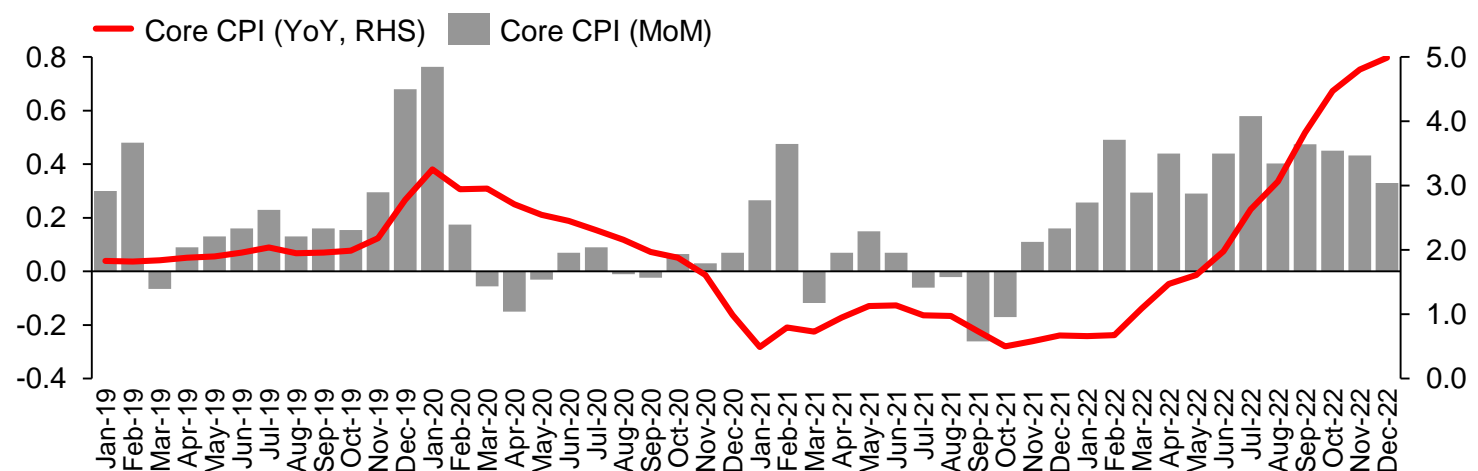
In 2022, under the circumstances of strong commodity price fluctuation, especially oil prices, leading to high inflation in most regions around the world, Vietnam also reported high price increase. Monthly headline CPI rose by 4.5% YoY in December 2022 (compared to only 1.8% in December 2021) and will probably exceed 5% in the beginning of 2023.

For the first time in many years, the Government has adjusted the average inflation target from 4% to 4.5% in 2023. Given the Government's management in prices of admin-controlled items along with our self-sufficiency in food, it is highly possible that the aforementioned target will be achieved in 2023.

Vietnam's monthly headline CPI (%)



Vietnam's monthly core CPI (%)



# 2022 Challenges in Vietnam Economy: Inflation on uptrend (Cont.)

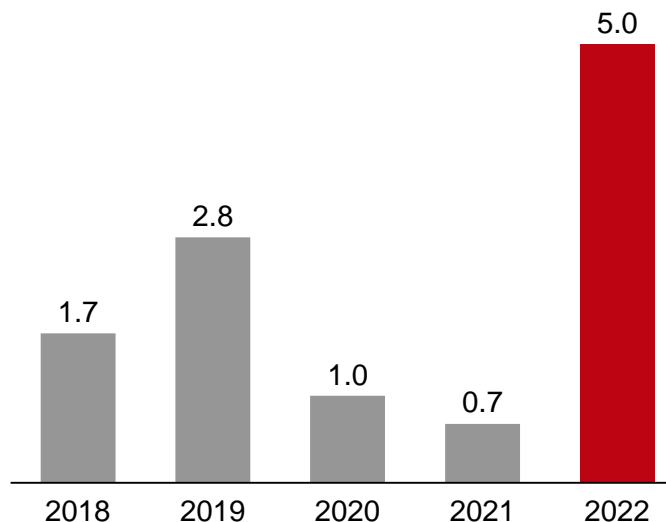
## Core CPI hit a new record high over the last 5 years.

Although 2023 headline CPI is expected to be under the Government's 4.5% target, current core CPI has recorded higher increase, reaching 5% in December 2022. Core inflation excludes prices of food and a number of admin-controlled items such as education and medical care services. These items currently account for 35% of the CPI basket in Vietnam.

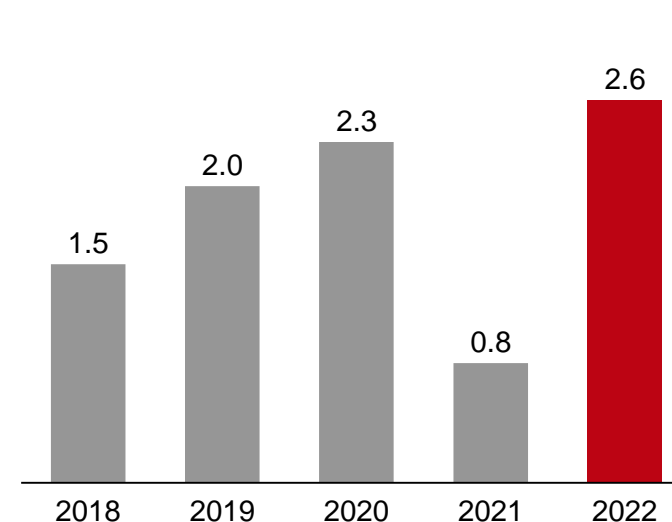
Vietnam's core CPI in December 2022 rose by 5% YoY while average core inflation reached 2.6%. These increases were much higher than 2021 figures and were also the highest levels over the last 5 years. Notably, YoY price increases in some basic items such as shelter, cooking oil, processed food and housing maintenance materials were 10%, 9.5%, 7.5% and 6.8% correspondingly.

It is believed that an increase in money supply would lead to higher core inflation. Therefore, central banks pay great attention to this indicator in their monetary policy operations.

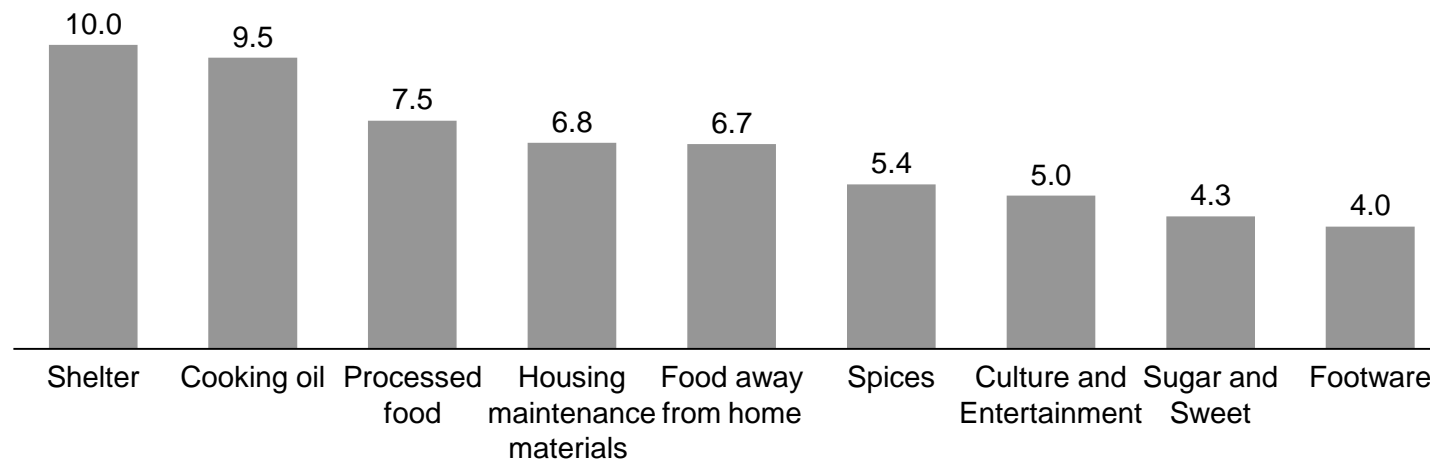
Vietnam's core CPI in December (YoY, %)



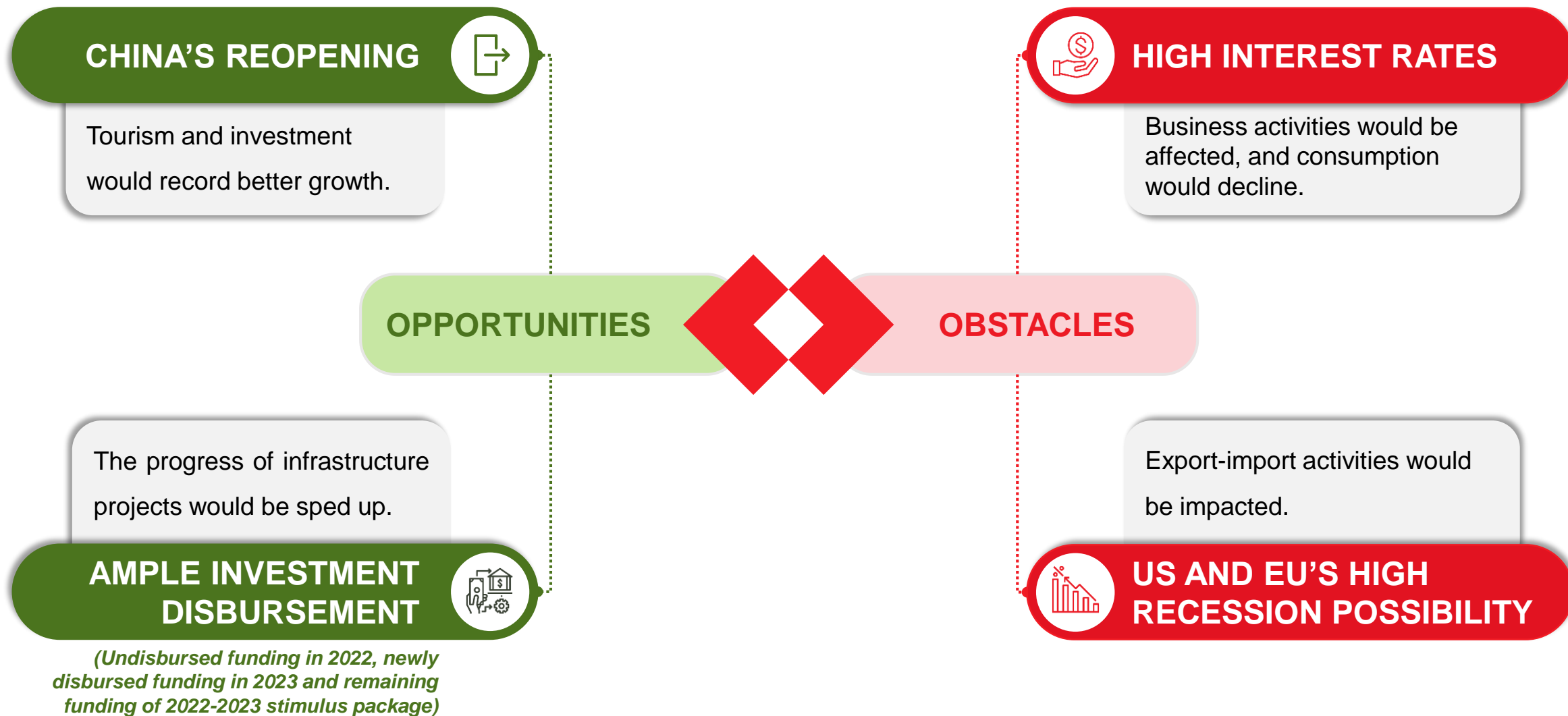
Vietnam's average core CPI (%)



Price changes in core CPI in December 2022 (YoY, %)

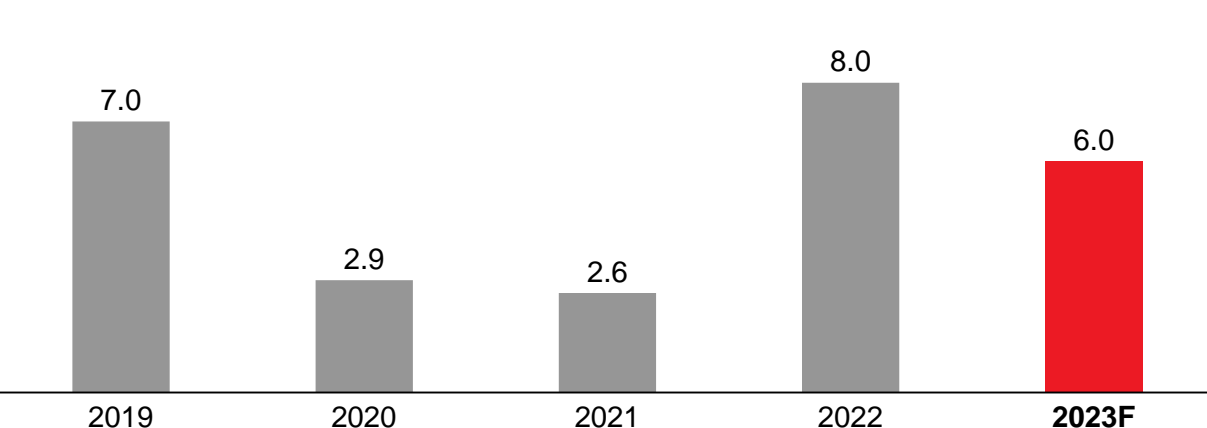


# ➤ Vietnam economy in 2023: Intertwined opportunities and obstacles

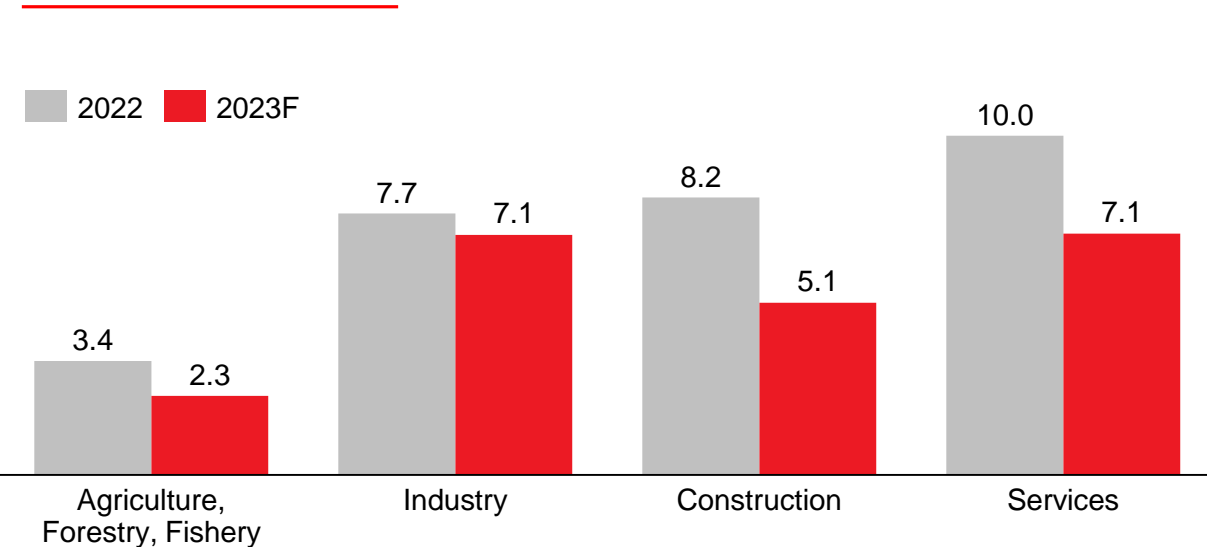


# Vietnam economy in 2023: GDP and inflation forecast







GDP growth forecast (YoY, %)



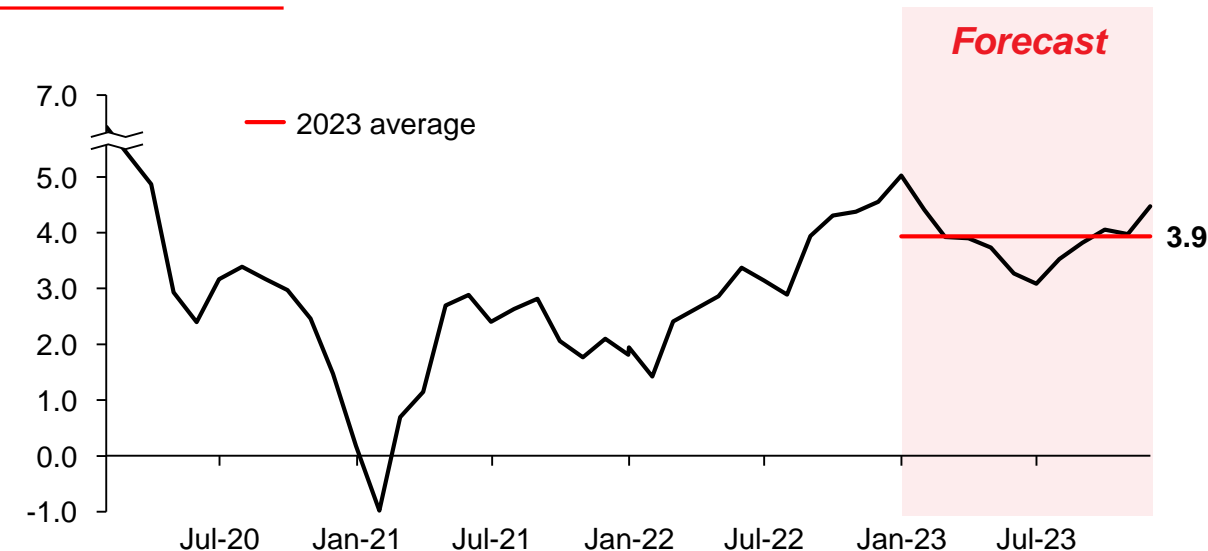
GDP growth by sectors (%)



Key assumptions in 2023

	2023F
 Credit growth	13.0%
 WTI oil price (YoY)	-10% (85\$/bbl)
 Pork price (YoY)	-2.2% (55,500 VND/kg)
 Education price	+11.1%
 Medical care price	+8.7%
 Electricity price	+10.2%

Inflation forecast (%)







# VIETNAM FINANCIAL MARKET

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## Vietnam financial market in 2022

### Interest rates and exchange rates

#### Foreign exchange market

- ▶ SBV sold about USD 20 billion.
- ▶ VND depreciated by 3.4% compared to 2021, but the depreciation has reached 9%.

#### Money market

- ▶ Policy rate increased by 200 bps.
- ▶ 6-month deposit rate of 4 major joint-stock banks increased by 350 bps.
- ▶ 1-week interbank rate in 2H2022 fluctuated around 5-7%.

**UNEXPECTED  
AND  
UNPREDICTABLE  
FLUCTUATIONS**

### Real estate and stock markets

#### Real estate market

- ▶ The number of transactions dropped sharply in 4Q2022

#### Corporate bond market

- ▶ Issuance volume decreased by 64% YoY

#### Stock market

- ▶ Index dropped by 33% compared to the end of 2021. Banking and real estate stocks are under selling pressure.



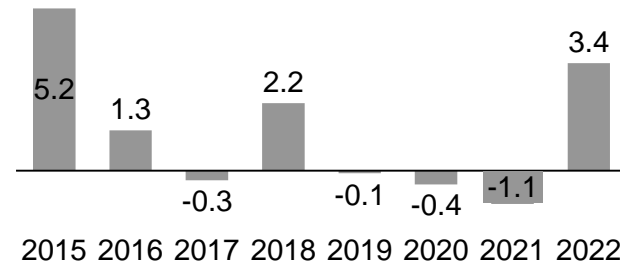
# Vietnam financial market in 2022: Interest rates and exchange rates

2022 witnessed an unpredictable swing of interest rates and exchange rates.

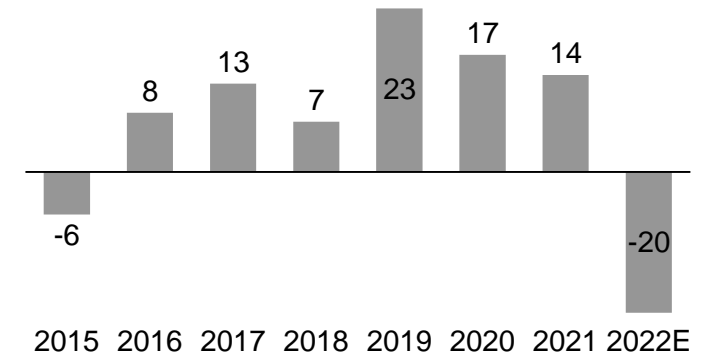
**VND depreciated by 3.4% YoY. At some points, there has been a 9% depreciation compared to the end of 2021.** The ongoing tension between Russia and Ukraine has disrupted global supply chain, causing the escalation of goods price in the US. In response, Fed has continuously raised interest rates from 0.25% to 4.5% in late December. Interest rate hikes in the US have significantly narrowed down the interest rate gap between VND and USD, resulting in the tendency of a foreign currency outflow from Vietnam. Therefore, VND was under significant depreciation pressure. It is estimated that SBV might have to sell about USD 20 billion to intervene in the foreign exchange market. Hence, by the end of 2022, the USDVND rate only increased by 3.4% YoY.

**In the last 6 months of 2022, deposit rates of top 4 joint-stock commercial banks increased by 350 points while interbank rates stayed around 5-7%.** Once SBV has sold foreign currencies, it will attract a similar amount of VND. As the liquidity of the system was on the brink of a depletion, SBV has made two adjustments on the ceiling of 6-month deposit rates in September and October, respectively. Accordingly, commercial banks immediately adjusted their deposit interest rates for both short and long-term deposits. Interbank rates also experienced an uptick and established a new level in 2022.

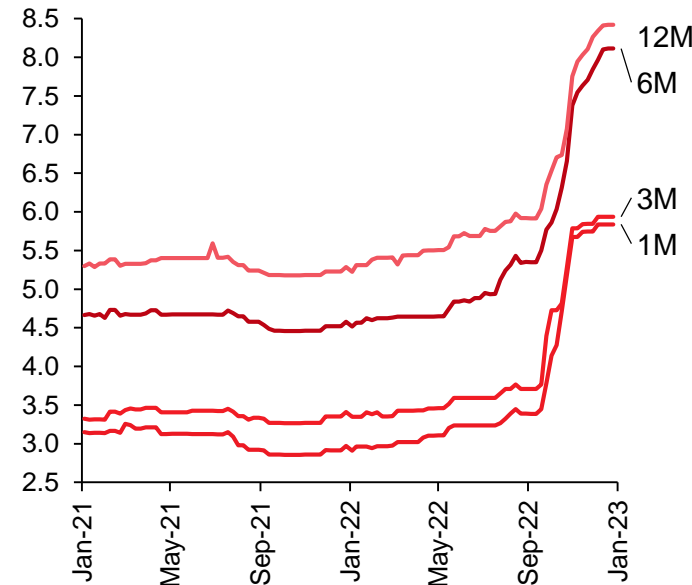
Change in USDVND (EoP, %)



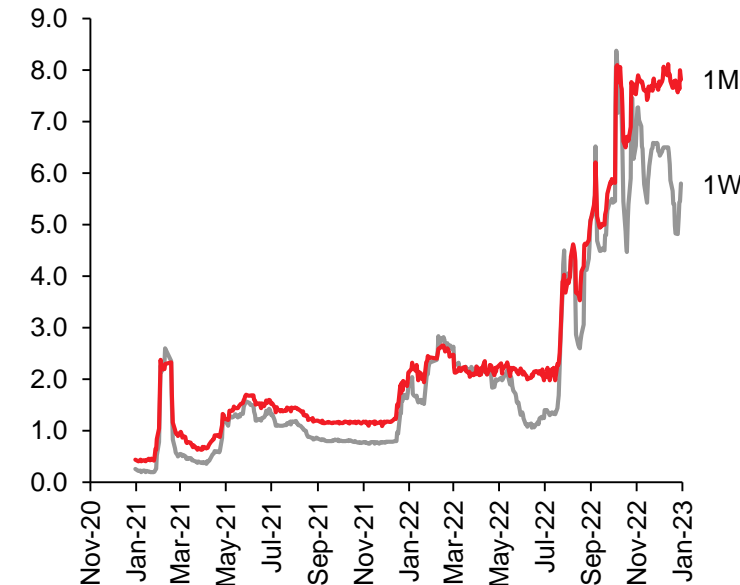
Vietnam Balance of payments (BOP, USD billion)



Deposit rates of top 4 JSBs (Average, %)



Interbank rates (%)



# Vietnam financial market in 2022: Real estate and stock markets

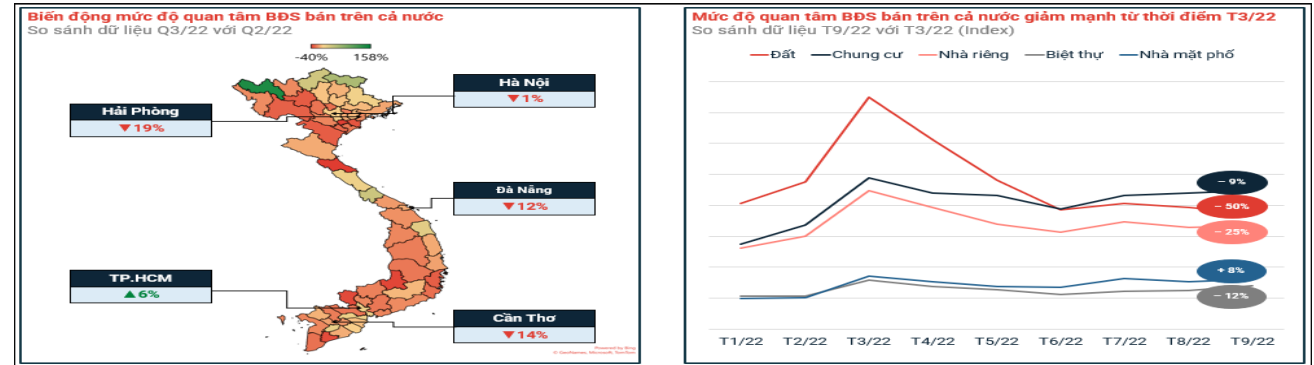
Current difficulties may not be overcome soon.

**Interest in real estate dropped across the board.** Interest rates remained at high levels, causing the sharp decrease in asset prices. Real estate is an interest-sensitive investment because it requires long investment horizon and large funding sources. Therefore, real estate market had a significant decline in 4Q2022 transaction volume. Corporate bond market also experienced a sharp drop, partly due to the impact of interest rate hikes. 2022 issuance volume was only VND 248 trillion, down 64% YoY. The proportion of real estate corporate bond issuance has decreased from 36% in 2021 to 25% in 2022.

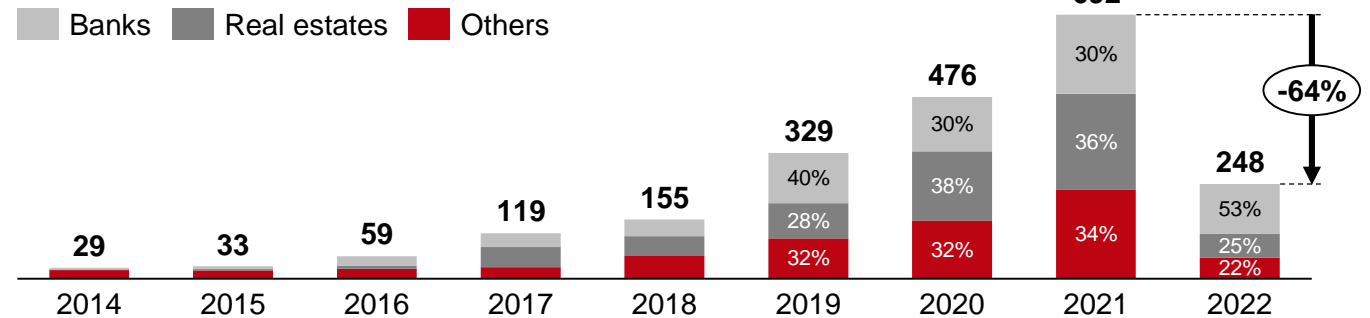
**VN Index has dropped by 33% in 2022.** After setting a peak around 1500 points in early 2022, VN Index continuously declined due to the appearance of economic challenges in 2022. In particular, banking and real estate stocks were under selling pressure at many points in time.

Interest rates have been maintaining at a high level, and it is difficult to observe a deep decrease in 2023. Meanwhile, considering the downward cycle of foreign and domestic real estate and stock markets after 1997-1998 or 2008-2009 crises, it took long time for the recovery. Therefore, these difficulties could not be recovered soon.

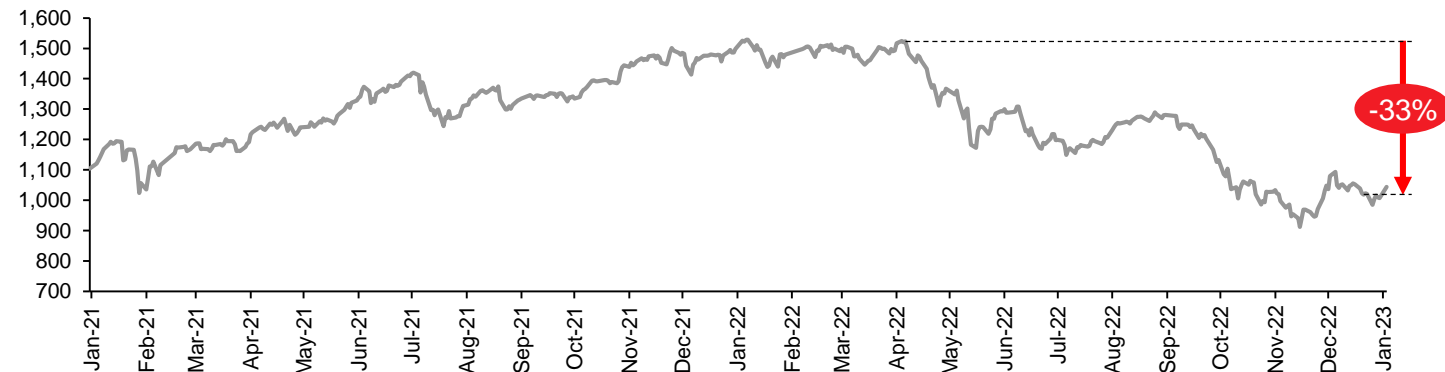
## Interest level on real estates



## Corporate bond issued (VND trillion)



## VN Index





2023

## OPPORTUNITIES

### 1 THE END OF INTEREST RATE HIKE CYCLE

- ▶ Fed would be at the end of the rate hike cycle and DXY cools down.
- ▶ USDVND would be stabilized.
- ▶ SBV could buy foreign currency.

### 2 EXPECTED WELL-DISBURSED PUBLIC INVESTMENT

- ▶ It would be a key driver boosting deposit growth

## RISKS

### 1 REMAINING GEOPOLITICAL CONFLICTS

- ▶ It would cause global supply chain disruptions, especially affecting oil prices.

### 2 POSSIBLY INCREASING INFLATION

- ▶ Inflation might be higher and SBV might not lower interest rates soon.



## USDVND rate forecast in 2023

**In 2023, VND is expected to appreciate by 1.5% compared to 2022.**

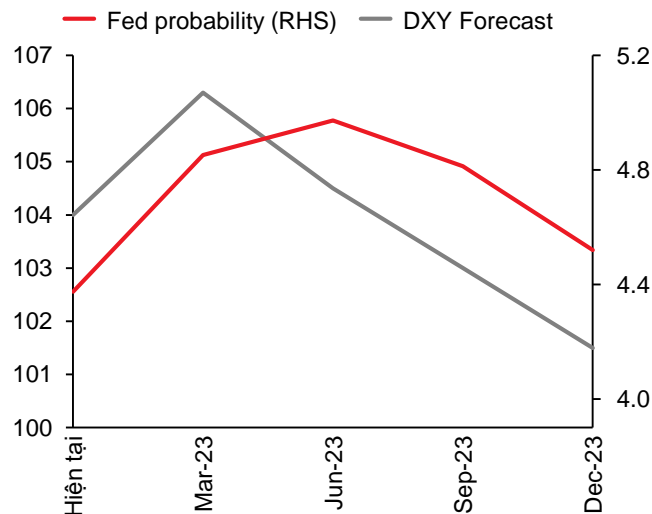
Thanks to SBV's intervention in the foreign exchange market by selling of around USD 20 billion in 2022, VND only depreciated by 3.4%, much lower than the depreciation of other currencies in the region.

**Interest-rate difference fueled capital inflows:** Movements in both domestic and foreign interest rates primarily influenced the capital outflows in 2022. However, the gap was later improved when SBV increased interest rates by 200 points and large commercial banks increased 6-month deposit rates by 350 points compared to the end of 2022. Moreover, as Fed expects to end its rate hike cycle next year, the VND-USD interest-rate gap is likely to expand in the future.

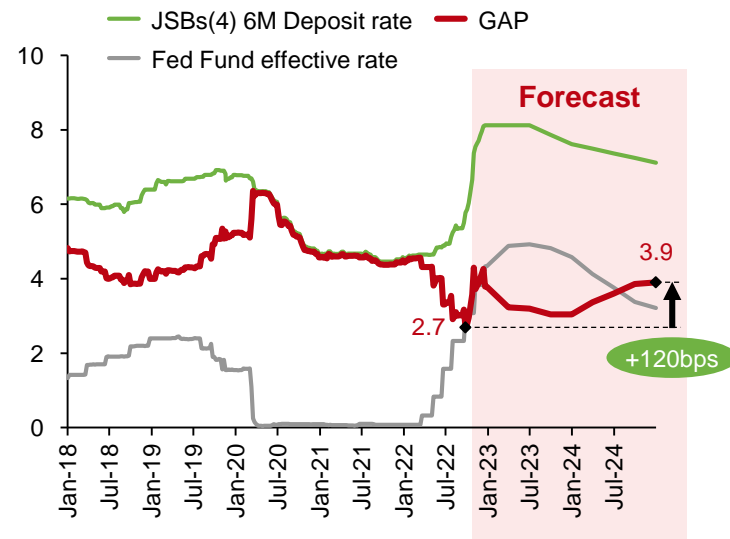
**Vietnam's balance of payments may reach a USD 14 billion surplus in 2023:** Widened VND-USD interest-rate gap might spur investment inflows, foreign debts, simultaneously limit the delay in export payments and stimulate foreign currency inflows in Vietnam. Moreover, the improvement in trade balance of goods and services is seemingly certain, largely driven by the significant increase in the number of international tourists thanks to China's reopening next year.

**Ample foreign inflow is expected to help the VND appreciate by 1.5% against the USD by the end of 2023.**

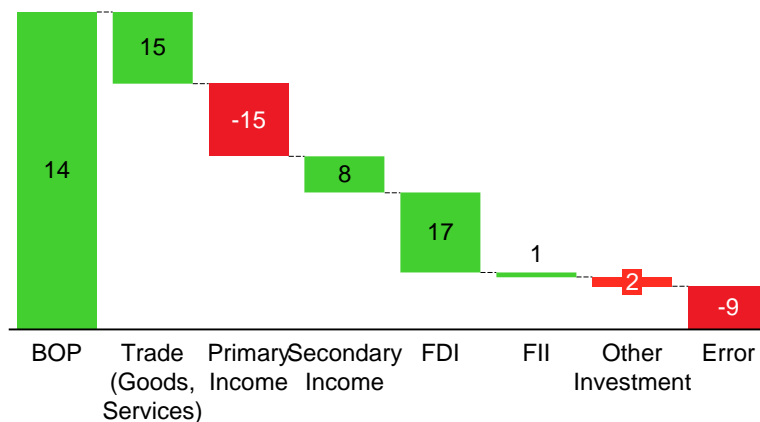
**FED probability and DXY forecast (YoY, %)**



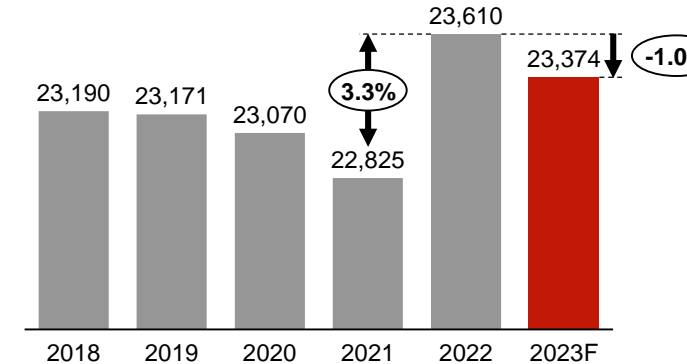
**VND-USD interest-rate gap (%)**



**Balance of payments in 2023 (USD billion)**



**USDVND rate forecast in 2023 (EoP)**



# 2023 deposit interest rates forecast

The SBV is expected to reduce the deposit interest rate ceiling in 2023.

**The SBV could inject about VND 300 trillion into the economy:** As aforementioned, we expect Vietnam's overall balance could reach a USD 14 billion surplus in 2023. In case of foreign currency purchase, SBV could pump out the corresponding amount of VND.

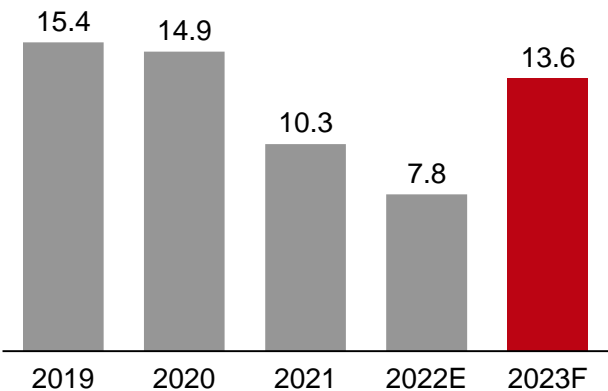
**Funding in 2023 would be more ample thanks to improved public investment disbursement:** 2023 public investment disbursement could reach VND 700 trillion, including 2022 undisbursed funding and the remaining funding of 2022-2023 stimulus package. Although it is unlikely that all VND 700 trillion would be totally disbursed, the disbursement of public investment might be faster and more efficient in 2023 thanks to recent policies issued by the Government.

**Given such positive factors, we forecast that the deposit growth in 2023 would reach 13.6%.** This figure is much higher than an estimated growth at 7.8% for 2022. Thus, the gap between credit growth and deposit growth would be narrowed significantly in 2023 as credit growth is capped by the SBV's quota.

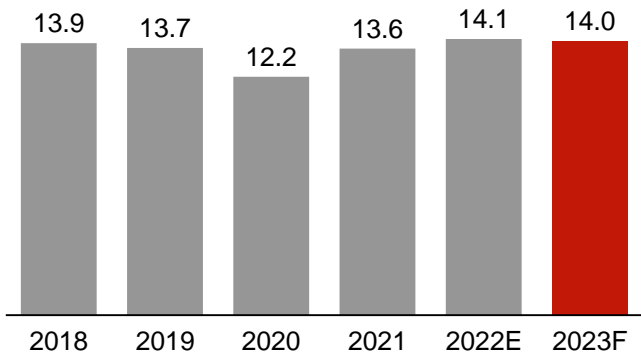
**This is a room for SBV to reduce the policy rate and for commercial banks to lower the deposit and lending rates in 2023.**

Source: TCB Analysis team, SBV  
Note: LDR\* = Total credit/Total deposit

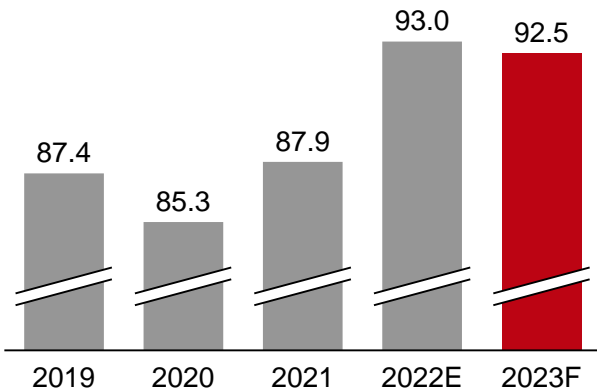
Deposit growth (YoY, %)



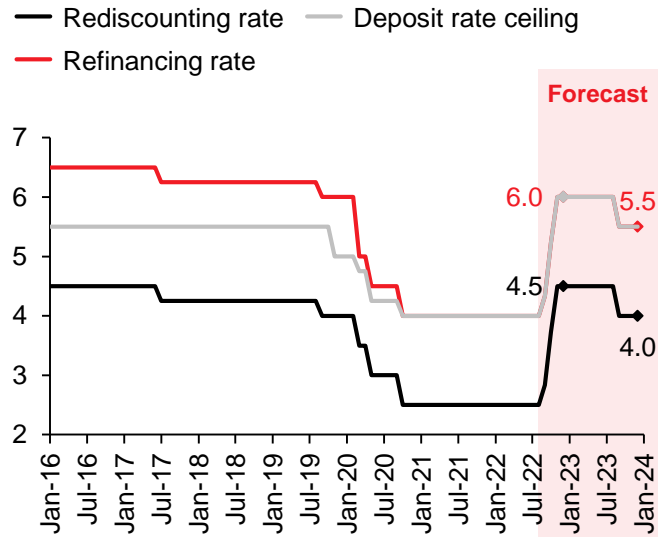
Credit growth (YoY, %)



LDR\* (%)



Policy rate of SBV(%)





# APPENDIX

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# World macroeconomic and financial market updates

Indicators	Country	Unit	2021	2022E	2022												
					01	02	03	04	05	06	07	08	09	10	11	12E	
Real GDP Growth	US	%, YoY, Quarterly	2.7	2.5			3.7			1.8			1.9			0.4	
	EU	%, YoY, Quarterly	4.8	4.0			5.4			4.2			2.3			0.3	
	China	%, YoY, Quarterly	8.8	3.0			4.8			0.4			3.9			1.5	
	Japan	%, YoY, Quarterly	1.2	1.2			0.6			1.4			1.7			1.2	
CPI	US	%, YoY, Monthly	5.7	8.0	7.5	7.9	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.8	7.1	6.7	
	EU	%, YoY, Monthly	3.4	8.4	5.1	5.9	7.4	7.4	8.1	8.6	8.9	9.1	10.0	10.7	10.1	9.2	
	China	%, YoY, Monthly	1.1	2.0	0.9	0.9	1.5	2.1	2.1	2.5	2.7	2.5	2.8	2.1	1.6	2.0	
	Japan	%, YoY, Monthly	1.5	2.5	0.5	0.9	1.2	2.5	2.5	2.4	2.6	3.0	3.0	3.7	3.8	3.9	
Fed funds target rate		%, End of month	3.25	4.85	3.25	3.25	3.50	3.50	4.00	4.75	5.50	5.50	6.25	6.25	7.00	7.26	
DXY		Index, Monthly Average	92.5	103.9	95.9	96.0	98.5	100.7	103.1	103.9	106.9	107.2	110.7	111.9	108.0	104.5	
USDCNY		Index, Monthly Average	6.45	6.73	6.36	6.34	6.35	6.43	6.70	6.70	6.73	6.80	7.02	7.19	7.17	6.97	
10Y UST Yields		%, Monthly Average	1.5	2.9	1.8	1.9	2.1	2.7	2.9	3.1	2.9	2.9	3.5	4.0	3.9	3.6	
WTI Oil price		\$/bn, Monthly Average	67.9	94.2	83.0	91.6	108.3	101.6	109.3	114.3	99.4	91.5	83.9	87.1	84.4	76.5	





# Vietnam macroeconomic and financial market updates

Indicators	Unit	2021	2022	2022												
				01	02	03	04	05	06	07	08	09	10	11	12	
Real GDP growth	%, Quaterly, YoY	2.6	8.0			5.1			7.7			13.7			5.9	
IIP	%, Monthly, YoY	4.8	8.2	2.8	9.2	9.1	11.1	10.4	11.5	11.2	13.3	10.3	5.5	3.5	0.2	
Headline CPI	%, Monthly, YoY	1.8	3.2	1.9	1.4	2.4	2.6	2.9	3.4	3.1	2.9	3.9	4.3	4.4	4.5	
Retail sales growth	%, Monthly, YoY	-3.8	19.8	1.3	3.1	9.4	12.1	22.6	27.3	42.6	50.2	36.1	17.1	17.5	17.1	
Registered FDI	USD bio, Monthly	24.3	22.6	1.7	2.6	3.0	1.7	0.7	2.0	1.2	0.9	1.6	3.3	2.4	1.5	
Disbursed FDI	USD bio, Monthly	19.7	22.4	1.6	1.1	1.7	1.5	1.8	2.4	1.5	1.2	2.6	2.1	2.2	2.7	
Trade exports	USD bio, Monthly	336.3	371.3	30.8	23.7	34.6	33.4	30.8	32.7	31.3	35.3	29.9	30.5	29.2	29.7	
Trade imports	USD bio, Monthly	332.2	358.9	29.4	25.6	32.5	32.3	32.9	32.4	31.0	30.9	28.8	28.7	28.2	29.2	
Trade balance	USD bio, Monthly	4.1	12.4	1.4	-2.0	2.0	1.1	-2.1	0.3	0.3	4.4	1.1	2.6	1.1	0.5	
Deposit growth*	%, YTD	10.3	6.0	0.3	1.4	3.4	3.4	3.8	4.8	4.4	4.0	5.0	5.0	5.0	6.0	
Credit growth*	%, YTD	13.6	12.9	2.5	2.7	6.0	7.2	8.1	9.4	9.5	9.5	10.5	11.5	12.1	12.9	
10Y Government bond yields	%, Monthly Average	2.2	3.5	2.1	2.2	2.3	2.9	3.1	3.2	3.3	3.5	4.0	4.9	4.9	4.9	
1W Interbank rate	%, Monthly Average	0.9	3.5	1.8	2.7	2.2	2.1	1.8	1.2	2.1	3.8	5.1	6.5	6.4	5.9	
6M Deposit rate**	%, Monthly Average	4.8	5.4	4.8	4.8	4.9	4.9	4.9	5.0	5.1	5.2	5.4	6.2	7.2	6.9	
USDVND	Monthly Average	22,933	23,431	22,696	22,765	22,861	22,919	23,100	23,221	23,383	23,407	23,657	24,340	24,817	23,736	

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