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Vietnam Outlook

- **February inflationary pressure increased mainly due to seasonal factors when CPI increased by 1,52% compared to last month and increased by 0.7% yoy.**
- **Vietnam's trade performance subdued in February mainly due the Tet holiday and Covid-19 outbreak during the month. However, the net export level still remained at 1.3bn. Exports 2M2021 grew at 23.2% yoy, whereas imports grew 25.9% yoy.**
- **Industrial production in February decreased mainly due to the Tet holiday when the index of industrial production (IIP) decreased by 7.2% compared to February 2020, but for the first 2 months of the year, it was 7.4% higher than with the same period. Manufacturing PMI increased slightly from 51.3 to 51.6 thanks to growth in orders for the sixth consecutive month.**
- **Investment from the state budget in 2M2021 reached VND 40.9tn, completing 9.0% of the year plan and increasing 10.6% yoy. Foreign investment capital from the beginning of 2021 to 20 February decreased sharply by 15.6% over the same period due to the influence of Covid-19, but the disbursement rate remained stable with a yoy increase of 2%.**
- **USD/VND exchange rates moved in different direction.**

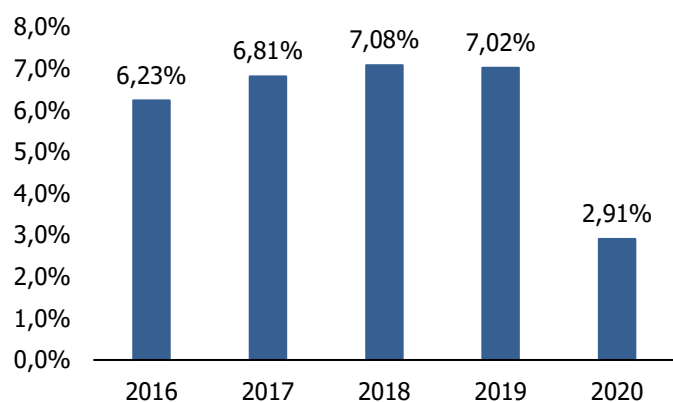
Economic activity

Inflation

The consumer price index (CPI) in February increased by 1.52% from the previous month - the highest increase in February since 2013. However, if compared to the same period last year, this index only increased by 0.7%, the lowest in 5 years. On average, in the first 2 months of 2021, CPI decreased by 0.14% yoy, but core inflation increased by 0.64%.

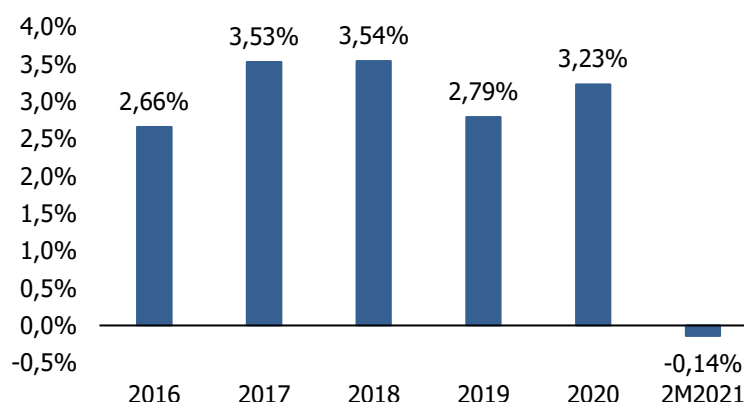
The high inflation in February was mainly due to seasonal factors due to the high increase in shopping demand before Tet holiday; gasoline prices hike due to international oil price movements; EVN ending its program to support customers by reducing electricity prices due to the effects of Covid-19. We anticipate that inflationary pressure in March will cool down. In 2021, except for the impact of oil prices, which depend on international situations, we think that inflationary pressure of the remaining factors will be well controlled.

Vietnam's annual GDP growth



Source: GSO.

Vietnam's average inflation rate by year



Source: GSO.

Trade activity

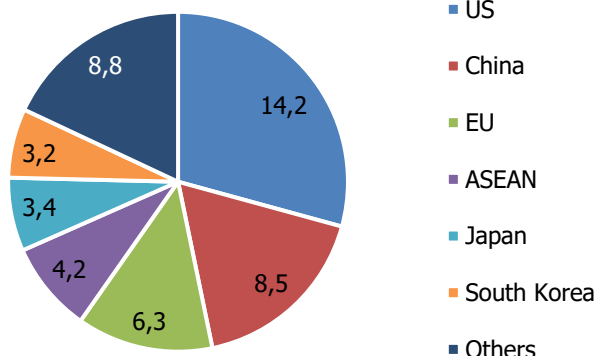
Import and export activities decreased compared to the previous month, mainly due to the Tet holiday and the outbreak of Covid-19 in some provinces. Total export turnover in the month is estimated at USD 20bn, (-29.9% mom, -4.7% yoy) while the total import turnover is estimated at USD 20.8bn, (-21.4% mom, +10.5% yoy) over the previous month and up 10.5% over the same period in 2020. Total exports and imports in 2 months increased by 23.2% and 25.9% respectively over the same period last year.

Thus, in the first 2 months of the year, Vietnam is estimated to have an export surplus of USD 1.3bn, of which the domestic sector saw a trade deficit of USD 4.14bn; foreign invested sector (including crude oil) saw a trade surplus of USD 5.43bn.

For 2M2021, heavy industrial products and mineral resources export turnover is at USD 26.6bn (+27.8% yoy). Light industrial products turnover is USD 17.3bn (+18.6% yoy). Farming and forestry products turnover is at USD 3.6bn (+22.2% yoy). Fishery reached USD 1bn (+0.7% yoy).

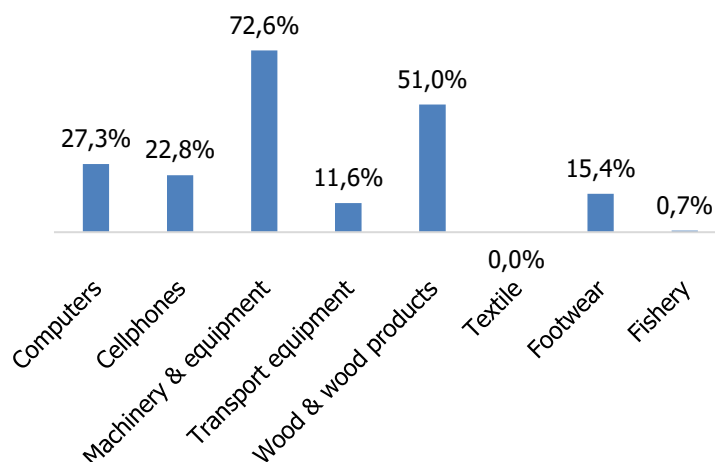
In terms of imports, manufacturing materials turnover is estimated at USD 44.3bn (+26.4% yoy) and accounted for 93.7% of all imports. Consumer goods import is USD 2.96bn (+18.4% yoy), accounting for 6.3%.

Export market of Vietnam in 2021 YTD (USDbn)



Source: GSO, Customs.

Growth of major export products in 2021 YTD (% yoy)



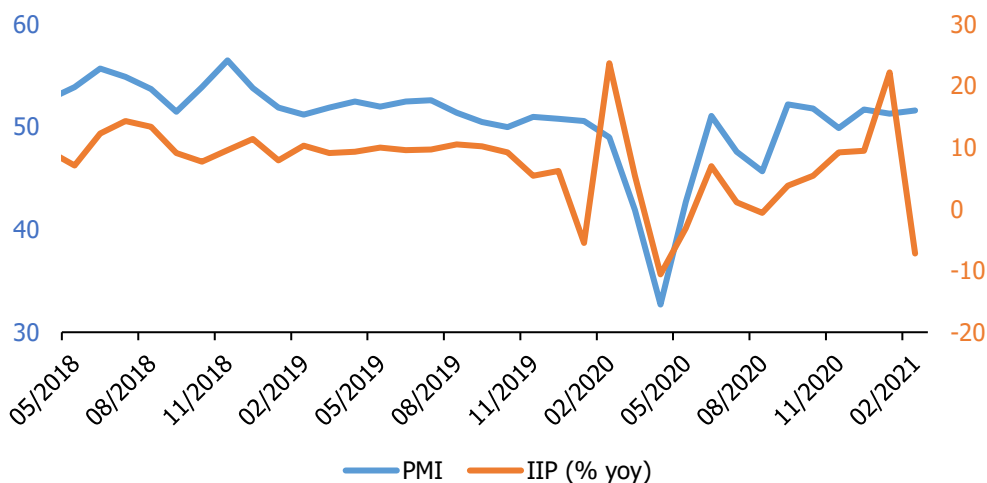
Source: GSO.

Industrial production

Because the Lunar New Year holiday falls in February, the number of working days in a month is less than usual, industrial production activity is somewhat lower than last month. The Index of Industrial Production (IIP) decreased by 21.1% compared to January and decreased by 7.2% from the same period last year. However, as production in January increased quite well year-on-year due to different Lunar New Year timings, for the first 2 months of the year, the IIP is estimated to have increased by 7.4% yoy.

The Purchaser Management Index (PMI) for the manufacturing sector in February increased from 51.3 in January to 51.6, showing that business conditions have improved. The manufacturing sector is having 3 consecutive months of improvement. The number of new orders increased for the 6th month in a row was the main reason leading to the rebound in output. In addition, the rebuilding of stocks of finished goods after 4 months of decline also contributed to the slight increase in PMI.

Vietnam's PMI manufacturing and IIP (% change yoy)



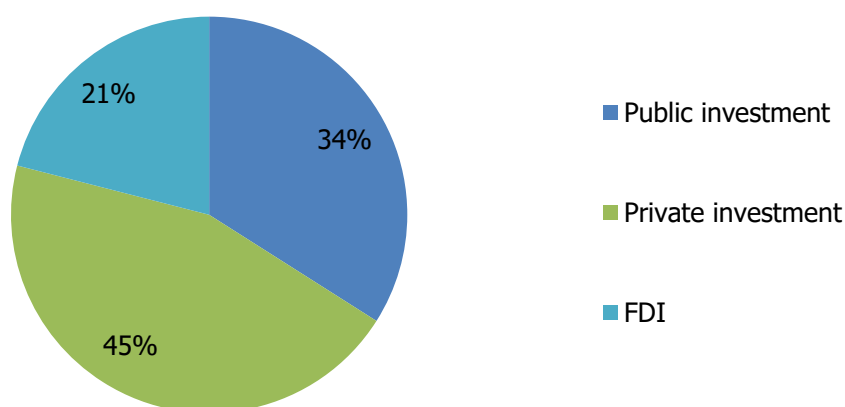
Source: Bloomberg.

Investment

February investment from State budget is estimated at VND 17.7tn (-3.1% yoy). In 2M2021, investment from State budget is estimated at VND 40.9tn, completing 9% of the 2021 plan and increases by 10.6% yoy. The main investment activities were to continue the works from 2020 and to complete the finalization of work done from the year before. The outbreak of Covid-19 as well as the Tet holiday has slowed the pace of disbursement.

Total foreign investment capital in Vietnam as of 20/02/2021, including newly registered capital, adjusted registered capital and indirect investments reached USD 5.46bn (-15.6% yoy). However, disbursement still remained the same level with the disbursed FDI capital estimated at nearly USD 2.5bn, up 2% over the same period last year.

Structure of total investments



Source: GSO

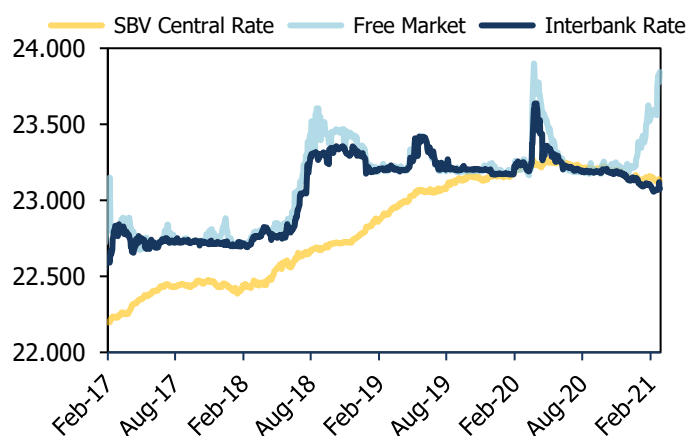
Exchange rate

USD/VND exchange rates moved in different direction.

In recent weeks, the USD showed signs of rebounding against some currencies in the region. The USD/VND exchange rate in the free market also had a similar trend when it increased from 23,595 VND/USD to 23,845 VND/USD in a month. However, the central and interbank rates were in a downward trend, meaning the value of the VND was increasing. The central rate is at 23,130 VND/USD, down 30 VND/USD compared to the end of January, while the interbank rate ended February at 23,074 VND/USD, down 31 VND/USD.

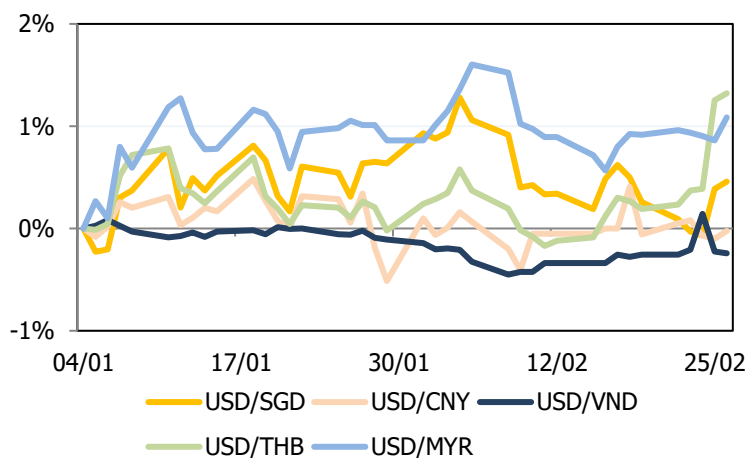
Recently, bond interest rates in the US has increased sharply, reflecting investors' high expectation of inflation in the future. Normally, the consequence of the interest rate increase is that investors will withdraw capital from other economies to return to the US market, leading to the USD increase in value. The exchange rate movements in the region are reflecting this trend. For VND, foreign currency reserves are plentiful after a long period of accumulation by SBV, so we think the exchange rate may increase again, but will not be too volatile.

VND/USD exchange rate



Source: Bloomberg

Regional currencies performance against USD



Source: Bloomberg

Vietnam's economic indicators

Economic indicators	2015	2016	2017	2018	2019	2020	2021F
1. GDP, population & income							
Nominal GDP (USD billion)	193,2	205,3	223,8	245,2	262,4	270,0	288
Real GDP growth (%)	6,7	6,2	6,8	7,1	7,0	2,91	6,5
Exports of goods and services (% yoy)	7,9	9,0	21,8	13,2	8,4	6,5	4,8
Imports of goods and services (% yoy)	12,0	5,6	21,9	11,1	6,8	3,6	5,6
Population (mn people)	92,7	93,6	94,6	95,5	96,4	97,7	98,5
GDP per capita (USD)	2.086	2.172	2.353	2.551	2.740	2.750	2.900
Unemployment rate (%)	2,33	2,33	2,2	2,2	2,2	2,9	2,5
2. Fiscal indicators (%GDP)							
Government debt	49,2	52,7	51,7	50	49,2	51,5	51
Public debt		61	63,7	61,4	58,4	56,1	58,7
Foreign debt	42	44,8	48,9	46	45,8	47,0	47
3. Financial indicators							
USD/VND exchange rate	22.485	22.740	22.690	23.180	23.228	23.115	23.075
Inflation rate (%)	0,6	2,7	3,5	3,5	2,8	3,23	3,5
Credit growth	17,1	18,7	18,2	13,9	12,1	11	12
12-month lending rate	8,8	8,5	8,5	8,5	8,5	8,5	8
Trade balance (USD million)	-3.759	1.602	1.903	6.795	11.100	19.100	15.000
Goods: Exports (USD million)	162.017	176.581	215.119	243.483	264.200	267.100	280.000
Goods: Imports (USD million)	165.776	174.978	213.215	236.688	253.100	251.000	265.000
Current account (USD million)	-119	5.924	4.676	5.844	5.435	5.266	5.500
Foreign reserve (USD million)	28.616	36.906	49.497	54.491	79.000	100.000	105.000

Source: MBS summarized and projected.

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