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[Tuan.hoangcong@mbs.com.vn](mailto:Tuan.hoangcong@mbs.com.vn)**Vietnam Outlook**

- **GDP in Q1/2021 increased by 4.48% over the same period last year, higher than the growth rate of 3.68% in Q1/2020. Although the growth rate is not as expected, we believe that the GDP in Q2/2021 will increase sharply, making the whole year growth target of 6.5% achievable.**
- **Inflation in March 2021 decreased compared to the previous month, mainly because food price has cooled down after Lunar New Year. CPI decreased by 0.27% compared to February and increased 1.16% over the same period in 2020. Average CPI in Q1/2021 only increased by 0.29%, the lowest increase in the past 20 years.**
- **Goods import and export activities in Q1/2021 increased by more than 20% over the same period last year. The trade surplus of goods was estimated at USD 2.03bn, but the trade deficit of services was USD 4.11bn. Export turnover to the US and China increased by more than 30% compared to Q1/2020.**
- **Industrial production in the first quarter grew well when the index of industrial production (IIP) increased by 6.5% over the same period. Manufacturing PMI increased from 51.6 to 53.6, the highest in 27 months, showing that the business environment is improving significantly.**
- **Social investment capital increased by 6.3% over the same period last year, equaling 26.5% of GDP. In which, the proportion of investment capital from the non-state sector increased from 44% in the whole 2020 to 57% in Q1/2021. Foreign investment from the beginning of 2021 to March 20 increased 18.5% over last period. The average value of newly licensed projects has increased by more than 4 times.**
- **USD/VND rate hiked due to rising USD value on a global scale.**

## Economic activity

### Economic growth

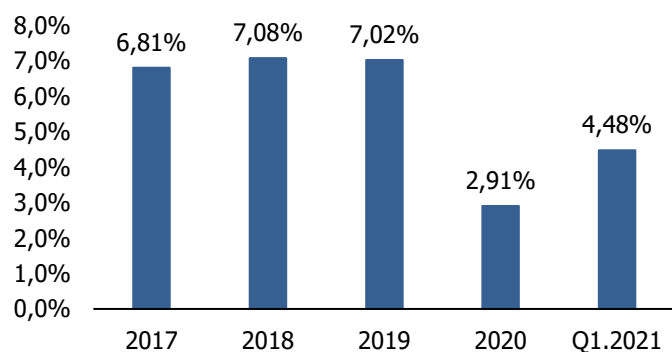
GDP in the first quarter of 2021 was estimated to increase by 4.48% over the same period last year. This increase is higher than the 3.68% growth rate of Q1/2020. Although this increase is lower than the 5.7% forecast by experts, it is still encouraging because in the first two months of 2020, Vietnam still welcomes about 3.2 million international visitors. Therefore, tourism still contributed significantly to GDP. We believe that Q2 GDP will strongly increase YoY as the country implemented social distancing in April last year. The full year growth target of 6.5% is still feasible.

### Inflation

The consumer price index (CPI) in March decreased by 0.27% MoM after recording the highest increase in February since 2013. This decline was mainly contributed by a decrease of 2.4% of the food group, which accounts for the highest proportion in the basket of goods. The main reason is that after Lunar New Year passes, food prices return to normal levels.

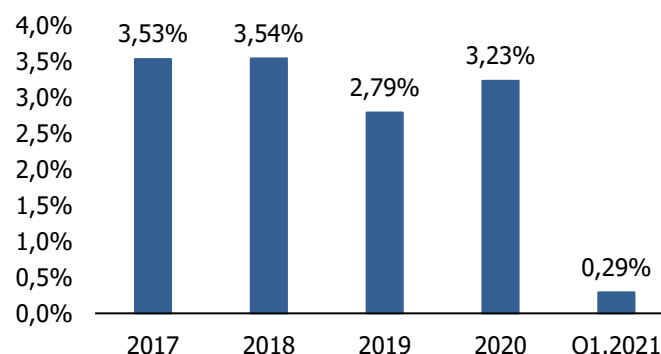
Compared to March 2020, the CPI has increased by 1.16% while the average CPI in Q1/2021 increased by 0.29% over the same period. In particular, transportation recorded the largest average price reduction (-5.55%) due to the low fuel price and the discount of transportation services to stimulate tourism. At present, oil prices are increasing over the same period, so in the upcoming months, inflationary pressure from this group will increase.

**Vietnam's annual GDP growth**



Source: GSO.

**Vietnam's average inflation rate by year**



Source: GSO.

### Trade activity

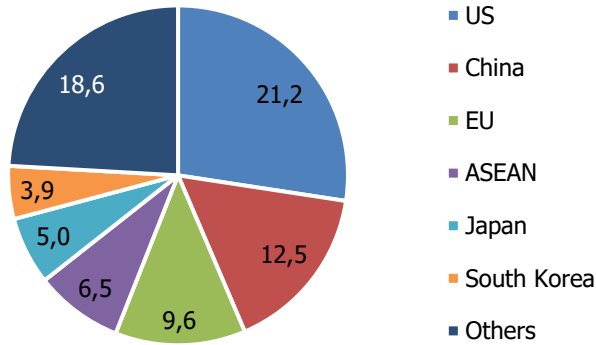
Goods import and export activities are still performing well when the turnover is estimated at USD 152.7bn, up 24.1% over the same period in 2020. In which, merchandise export turnover is USD 77.34bn, 22% increase; commodity import reached USD 75.31bn, up 26.3%. It is estimated that the trade surplus in Q1 was USD 2.03bn.

Among export markets, exports to the US and China increased the most, over 30% compared to the same period. The EU market also recorded an impressive increase of 14% after the EVFTA agreement was signed in mid-2020.

Regarding the composition of export goods in the quarter, the heavy industry and minerals group was estimated at USD 43.2bn (+25.9% YoY). Light industry and handicraft products were estimated at USD 27.1bn (+20.6% YoY). The group of agricultural and forestry products reached USD 5.35bn (+7.9% YoY) and fishery products reached USD 1.69bn (+3.3% YoY).

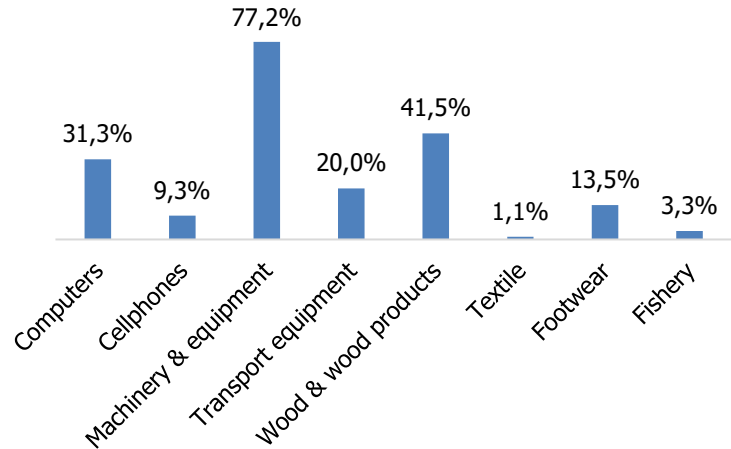
Regarding the composition of import goods in quarter 1, imports of materials for production were estimated at USD 70.6bn (+26.8%) and accounted for 93.7% of the total import turnover. Consumer goods were estimated at USD 4.73bn (+19.7% YoY) and accounted for just 6.3%.

**Export market of Vietnam in 2021 YTD (USDbn)**



Source: GSO, Customs.

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



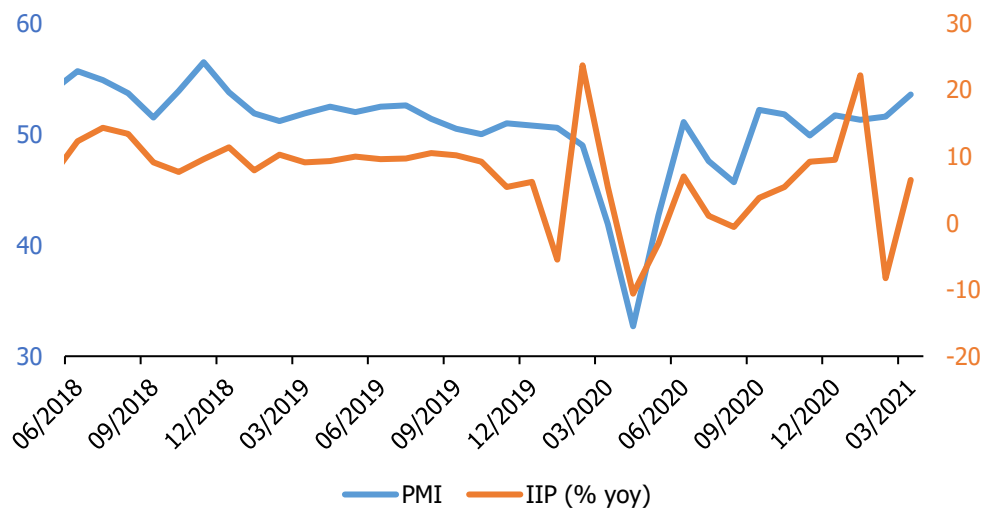
Source: GSO.

## Industrial production

Industrial production in March increased significantly compared to the previous month due to the number of working days and the very successful control of Covid-19 in Vietnam. The index of industrial production (IIP) in Q1/2021 increased by 6.5% over the same period last year.

The Purchaser Management Index (PMI) of manufacturing industry in March increased from 51.6 in February to 53.6 points, showing that business conditions have improved. Business conditions improved to the best in 27 months. The number of new orders increased for the 7th consecutive month and at the fastest rate since July 2019.

**Vietnam's PMI manufacturing and IIP (% change YoY)**



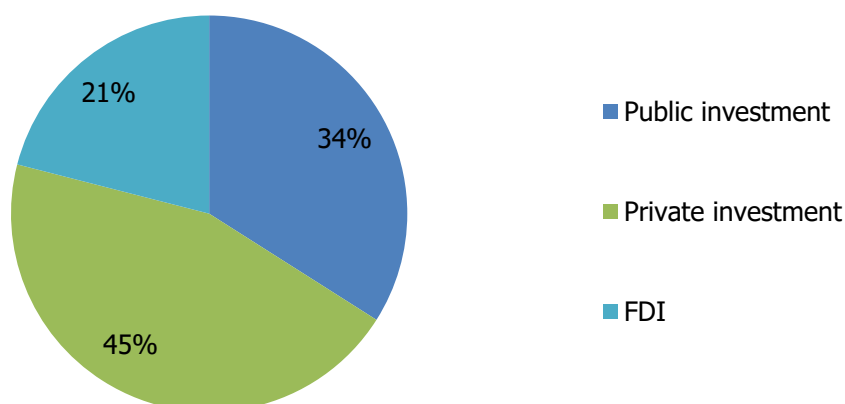
Source: Bloomberg.

## Investment

Investment capital for the whole society in the first quarter was estimated at VND 507.6 trillion, up 6.3% over the same period last year and equaling 26.5% of GDP. Of which, the capital of the State sector was VND 122.4 trillion, accounting for 24.1% of the total capital (+7.5% YoY); non-state sector reached VND 290.1 trillion, accounting for 57.2% (+5.7% YoY); FDI sector reached VND 95.1 trillion, accounting for 18.7% and increasing (+6.5% YoY). The proportion of investment capital of the non-state sector increased significantly compared to the whole year of 2020 (57.2% compared to 44.9%) and the proportion of investment capital in the state sector decreased from 33.7% to 24.0%.

Total foreign investment capital in Vietnam as of March 20, 2021 including newly registered capital, adjust registered capital and value of capital contribution, share purchase of foreign investors reached USD 10.13bn, up 18.5% over the same period in 2020. Although the Covid-19 translation made it impossible for investors to come to Vietnam, only 234 new projects were licensed, a decrease of 69.1% compared to the same period of the year. Previously, the registered capital increased by 30.6%, reaching USD 7.2bn, showing that the average scale of a project has increased about 4 times, from USD 7.2mn/project to USD 30.8mn/project.

## Structure of total investments



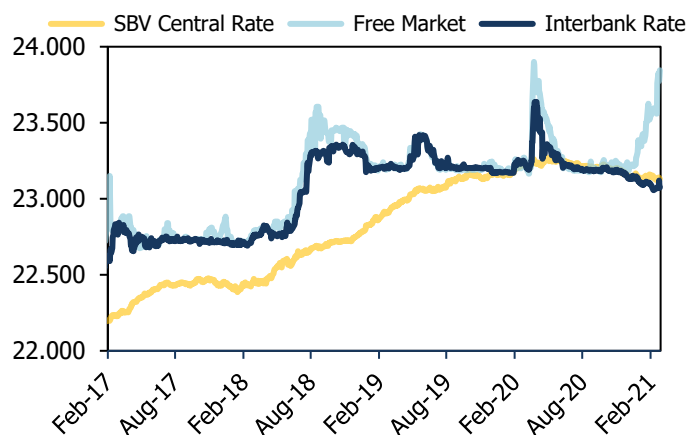
Source: GSO

## Exchange rate

In March, DXY index even rose from 90 to 93.3, reflecting investors' belief in a faster recovery than expected from the US economy so assets in USD are favoured. USD/VND on the free market climbed past VND 24,000/USD at times but ended the month at 23,925 VND/USD, a climb of 80 VND/USD in a month. The central and interbank rates also rose compared last month, respectively traded at VND 23,244/USD, an increase of VND 114/USD and VND 23.155/USD, increased by VND 79/USD. Compared to other regional currencies, VND value compared to USD still remain the most stable.

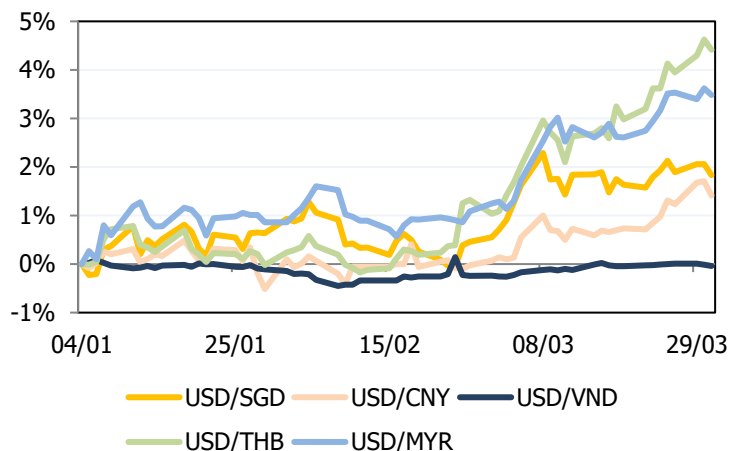
Even though in the short term, the USD value is rising but with the new stimulus worth USD 1.9tn, the infrastructure bill worth USD 2.3tn of the US government and the decision to maintain 0% target rate by Fed, the amount of cheap money is still abundant. We forecast the USD will return to depreciation in the medium term.

## 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
<b>1. GDP, population &amp; income</b>							
Nominal GDP (USDbn)	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
<b>2. Fiscal indicators (%GDP)</b>							
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
<b>3. Financial indicators</b>							
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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