

A positive rise from last year low base

- Vietnam export and import value have positive growth but manufacturing outlook is still mixed as PMI strongly dropped.
- The VND/USD exchange rate moved in contrasting directions in a last half of November while the world's exchange rate has the sign of decreasing.
- We keep our expectation of 2023 GDP forecast at 4.7% - 4.8%, in which we forecast that Q4 GDP to grow by 6.1% - 6.3%.

Im-export activities improve, manufacturing outlook still lacklustre

Industrial production increased 3% mom and 5.8% yoy in November, production companies make an effort to prepare goods for consumption at the end of the year. However, PMI dropped to 47.3 from 49.6 last month with the number of new orders falling after three consecutive months of increases due to a decrease in demand from foreigners. Exports in November increased 6.7% yoy, marking the third consecutive month of positive growth. Imports went up 5.1% yoy, indicating signs of a production rebound.

Inflation is cooling down in Nov following the oil price downturn

CPI in November in 2023 grew 3.5% yoy while average CPI for the first 11M23 increased 3.2% yoy, still remains under control below the government target of 4.5%. The pace of CPI growth has decreased since October; however we believe that inflation is still under pressure in the final month of the year owing to the factors such as airfare and travel expenses due to the seasonal factors and rising rice prices driven by export prices. It is expected to push the average CPI for the entire year of 2023 to fluctuate around 3.4%.

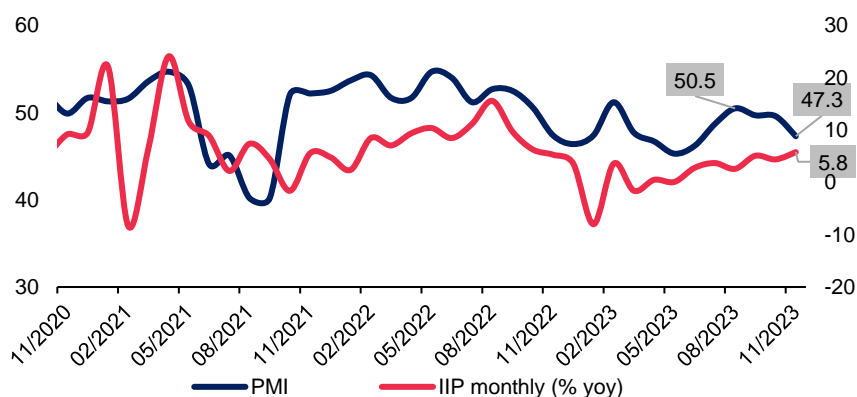
Consumer growth accelerate from last year low base

The growth rate of total retail sales and consumer service revenue in November increase 10.1% yoy and 1.4% mom. Retail growth has increased again after a consecutive trend of decline since March, as consumer service trade activities in November were quite lively so as to prepare for the major year- end holidays.

We maintain our 2023 GDP growth forecast of about 4.7%- 4.8%

In which, we forecast that Q4 GDP to grow by 6.1% - 6.3% based on the low base of the same period last year, as well as manufacturing activity will improve thanks to improvement in exports as the demand for inventory hoarding by the US and Europe countries rebounds from low levels and the number of orders will return due to shopping needs during the year-end holidays.

Figure 1: Vietnam's PMI manufacturing and IIP (% change YoY)



Source: GSO, MBS Research

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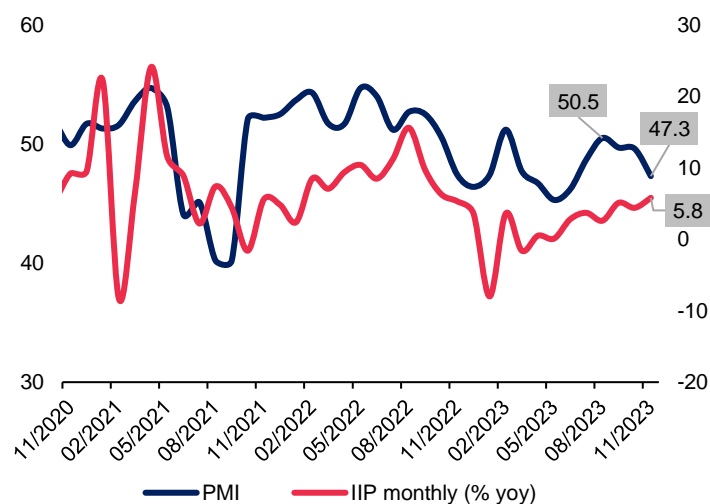
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Industrial production is recovering at a modest pace

Industrial production increased 3% mom and 5.8% yoy in Nov, maintain the pace of growth for seven consecutive months. Industries with strong production growth in the month include: mining of metal ores (+47.4% yoy), manufacture of rubber and plastics products (+27.7% yoy), and manufacture of furniture (+28.5% yoy). For the first 11M23, industrial production grew by 1% yoy of which, mining and quarrying delivered a minus decrease of 2.8% yoy.

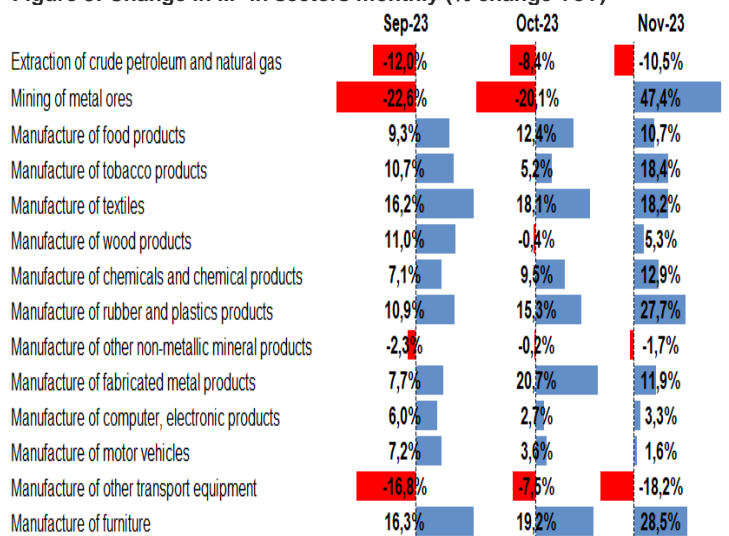
Vietnam's PMI in November has decreased to a low point in the last 5 months, reaching 47.3, from 49.6 in October. Specifically, the number of new orders from manufacturers in November has declined, ending a three-month consecutive growth streak, this is the sharpest decline since May. The reason for this is the reduction of customer demand, especially from the international segment. The number of new exports orders has also seen a decrease, with one of the reasons came from the reluctance of customers to pay higher prices for the product. Amidst the reduction in new orders and challenging economic, companies have been compelled to continue reducing production for three consecutive months.

Figure 2: Vietnam's PMI manufacturing and IIP (% change YoY)



Source: Bloomberg, MBS Research

Figure 3: Change in IIP in sectors monthly (% change YoY)



Source: GSO, MBS Research

Exports are promoted by industrial products, remaining the positive growth for the third consecutive month

In Nov, export turnover of goods declined 3.6% mom, up 6.7% yoy to USD 31bn. Exports have recorded positive growth for the third consecutive month due to a large number of industrial products grew impressively such as textile fibres (+92% yoy), and cameras, camcorders and their components (+71% yoy). For 11M23, export turnover decreased 6% yoy to USD 322.5bn. The export items with the largest negative growth include chemicals (-24% yoy), aquatic products (-19% yoy), wood (-18% yoy). Nevertheless, exports still highlight some bright spots in growth due to the contribution of agricultural products include rice (+36% yoy), cashew nut (+17% yoy), and fruits and vegetable (+74% yoy).

In term of export markets, export turnover to U.S. decreased 13.1% yoy to USD 88bn, following by E.U with USD 39.9bn (-8.1% yoy); export to Japan reach USD 21.2bn (-4.3% yoy).

Import turnover of goods was about USD 29.8bn in Nov (+5.1% yoy) and USD 296.6bn in 10M23, (-10.7% yoy). China remained the largest import market of Vietnam with a turnover of USD 99.6bn. Three import products totaling more than USD 10bn in value in 11M23 (accounting for 43.4% of total import turnover), which are electronic goods, computers and their parts; machinery, instrument, accessory and fabrics, respectively, with growth rates of +4.1% yoy, -9.8% yoy and -14% yoy.

Figure 4: Export market of Vietnam in monthly (USD bn)

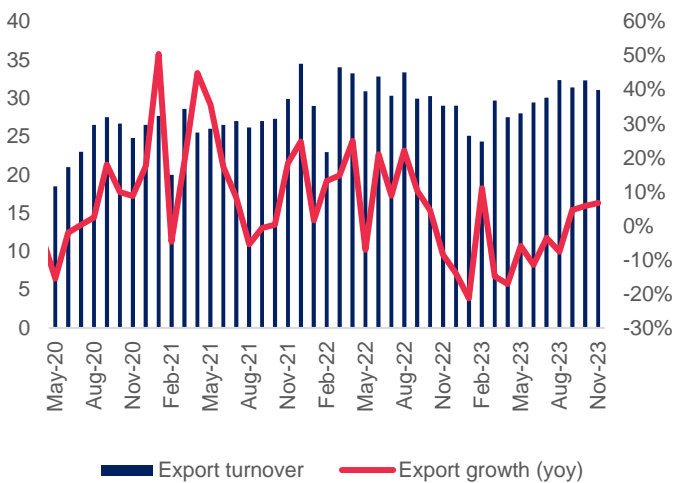
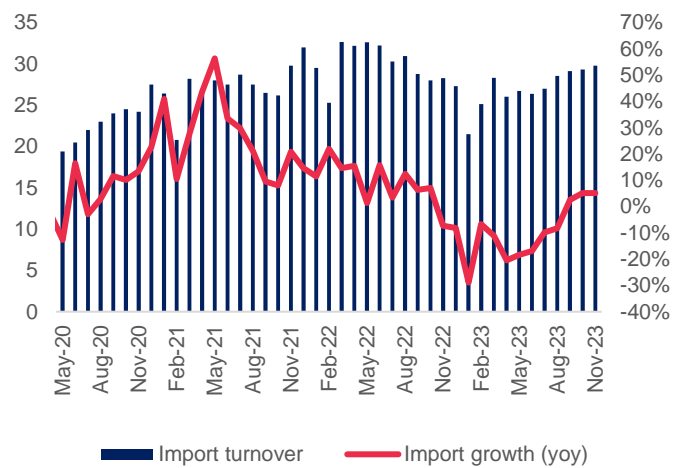
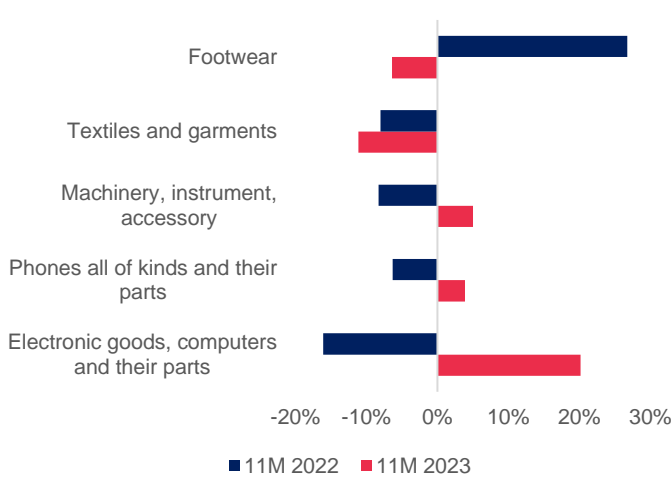


Figure 5: Import market of Vietnam in monthly (USD bn)



Source: GSO, MBS Research

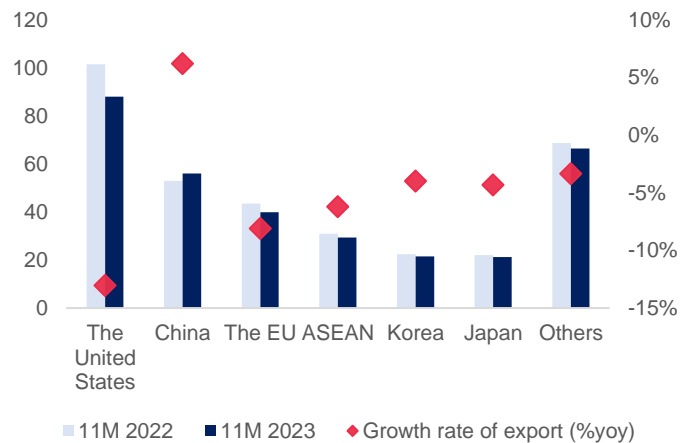
Figure 6: Growth of major export products in 11M2023 (%yoy)



Source: GSO, MBS Research

Source: GSO, MBS Research

Figure 7: Export market of Vietnam in 11M2023 (USD bn)



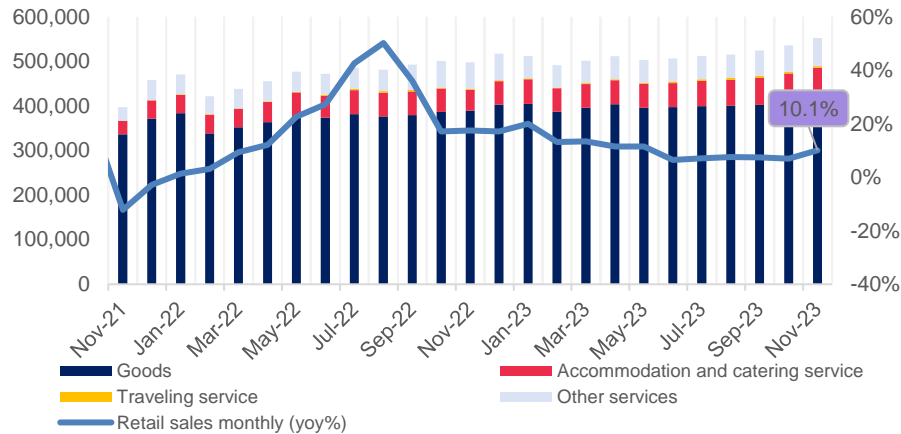
Source: GSO, MBS Research

Consumer growth accelerate from last year low base

Retail sales of consumer goods and services growth soared to +10.1% yoy and +1.4% mom in Nov. The growth of retail sales has rebounded since May, reversing the declining trend, in the condition that consumers are becoming more price-sensitive, retail activities in the last two months of the year are expected to be more dynamic compared to the low base of the previous year.

For 11M23, the total retail sales of consumer goods and services was estimated to increase by 7% yoy (excluding the price factor). International visitors to Vietnam 11M23 were estimated at 11.2mn arrivals, 3.8 times higher than the same period last year but still down 69% compared to the same period in 2019, the year no Covid-19 epidemic.

Figure 8: Retail sales of consumer goods and services (Trillion VND)



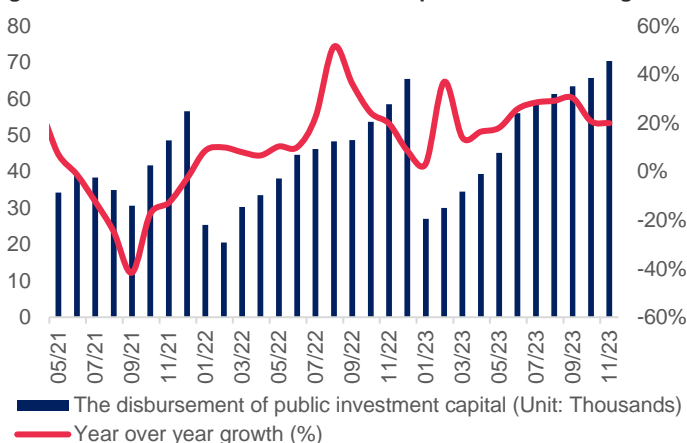
Source: GSO, MBS Research

FDI growth in the month decreased compared to the same period

In Nov, newly registered FDI inflow decreased by 30% yoy, meanwhile disbursed FDI idecreased 1% yoy. For 11M23, realized FDI inched up modestly 2.9% yoy to USD 20.2bn, in which: Processing and manufacturing industry sector attracted USD 16.6bn of new FDI inflow (accounting ~ 82%), electricity generation and distribution, as, hot water, steam, and air conditioning production reached 1.2bn (accounting ~ 6%), and about USD 982.6mn for real estate sector (accounting ~ 4.9%). Notably, a prominent FDI project in Nov is the Everwin Precision Technology Plant (Nghe An), invested by Erwin Precision Technology Co., Ltd. (Vietnam) in VSIP Nghe An Industrial Park, Hung Tay Commune, Hung Nguyen District (Nghe An) on an area of nearly 16.5 hectares, with a total investment of 115mn (equivalent to 2,806bn VND), fully funded by the investor.

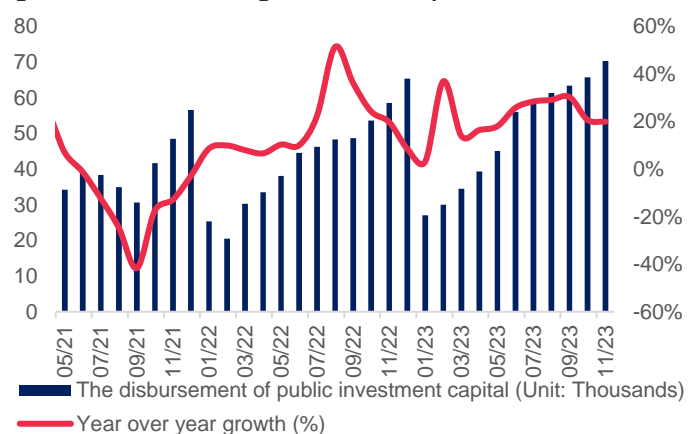
Disbursed state investment sped up 19% yoy in Nov to VND 70.3tn. For 11M23, state investment increased 22.1% yoy to VND 549.1tn, fulfilling 75% of Government's target.

Figure 9: Growth of realized investment capital from State budget



Source: GSO, MBS Research

Figure 10: Growth of foreign investment capital



Source: GSO, MBS Research

Inflation is cooling down in Nov following the oil price downturn

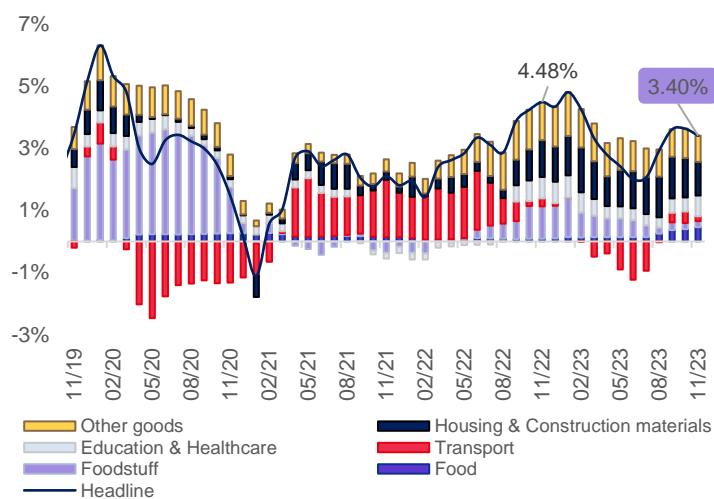
According to General Statistics Office (GSO), Vietnam's CPI in Nov inched up only 0.2% mom and 3.4% yoy (CPI in Nov 2022 increased 4.3% yoy) shows that domestic inflation is still under control below the set target of 4.5%. For the first 11M23, average CPI increased by 3.2% yoy; meanwhile, core inflation increased by 4.3% yoy.

The acceleration is on the back of construction materials price and rent house, which put CPI index up (+5.9% yoy). Food and catering services increased by 2.9% yoy, of which: Food basket increased by 13.2% yoy due to the domestic price of rice remain at a high level following world rice prices. In addition, the increase in tuition fees in some localities pushed the education group index up by 7.1% yoy and the medicine and healthcare services group increased 3.3% due to adjusted healthcare service prices contributing to the month to month CPI increase compared to the same period.

The air ticket price index increased by 87.2% yoy, combined with increased travel demand during holidays and summer vacations, pushing up airline expenses, leading the average CPI of the year back to the uptrend. In addition, the increase in cement and sand prices in line with the price of input materials along with the high rent house has pushed up the price index, pushing the average price index of the housing and construction materials group up by 6.7% yoy, greatly affecting the overall CPI. In contrast, the average of oil prices 11M23 decreased 12.1% yoy, gas prices decreased 7.5%, acting as limiting factors for the pace of the average CPI increase

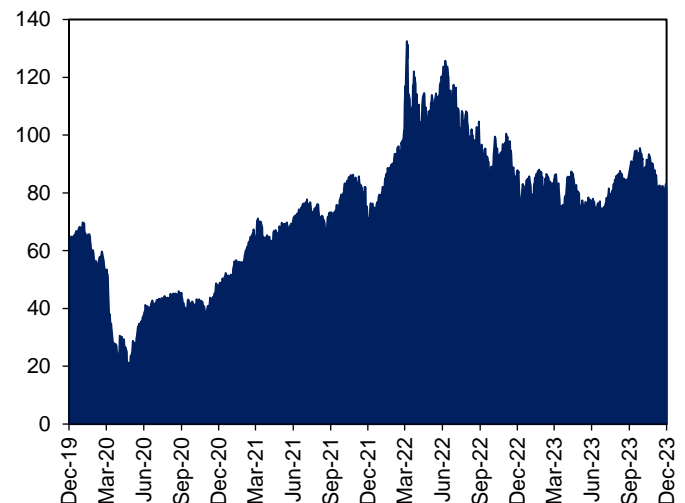
We expect CPI slightly to pick up in the last month and average at 3.4% for the whole year 2023 based on following factors. First, we observed that oil prices so far have decreased 18.1% from its peak in Sep 2023 due to concerns about low demand, but are expected to remain relatively stable around \$80 per barrel due to efforts to cut supply from OPEC+. Second, the food price index is trending upward as rice prices are expected to rise amid increasing demand in Asian and African markets. Finally, the VND/USD exchange rate rose to 24,300 VND/USD-24,500 VND/USD in the last month of the year will exert pressure in most imported goods.

Figure 11: Contribution of commodity groups to CPI growth (%)



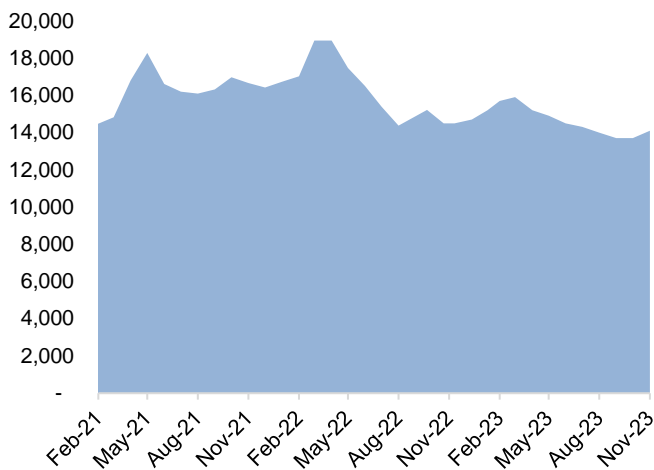
Source: GSO, MBS Research

Figure 12: Brent crude oil price (USD/Barrel)



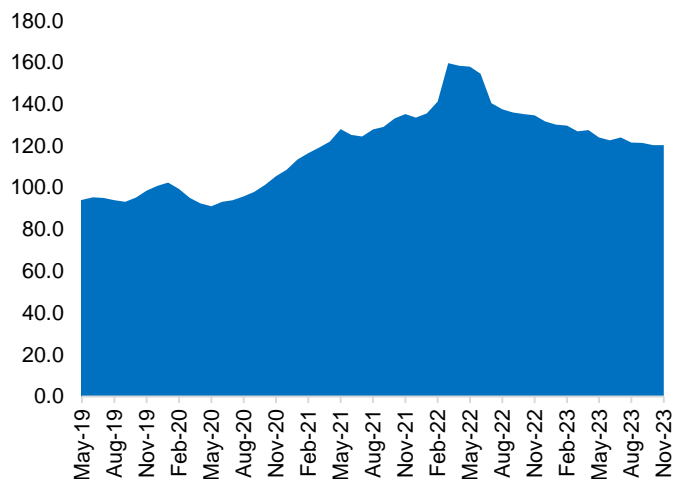
Source: Bloomberg, MBS Research

Figure 13: Steel price (Mn VND/ton)



Source: MBS Research

Figure 14: FAO food price index



Source: FAO, MBS Research

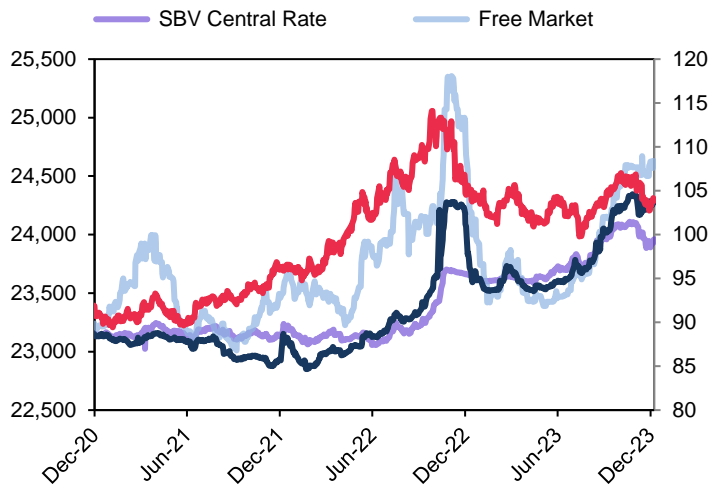
Exchange rates fluctuate in opposite direction in markets

In the last sessions of Nov, domestic exchange rates exhibited contrasting developments in different markets. Interbank and free market exchange rates were showing an upward trend throughout the week, currently trading around at 24,303 VND and 24,625 VND. In contrast, the central exchange rates continued to decrease and returned to the 23,000 VND level after two months, currently trading at 23,891 VND, a 0.8% decrease from the peak.

The USD has recovered in recent sessions from a low of 102 in the month and is currently at 103.4, a 3.5% decrease from the peak after the data showed that the U.S. economy grew faster in Q3 than initially reported, helping traders strengthen their positions, however USD gave still recorded the largest monthly decrease since Nov 2022 due to increasing expectations that the Fed will cut interest rates in the first half of 2024.

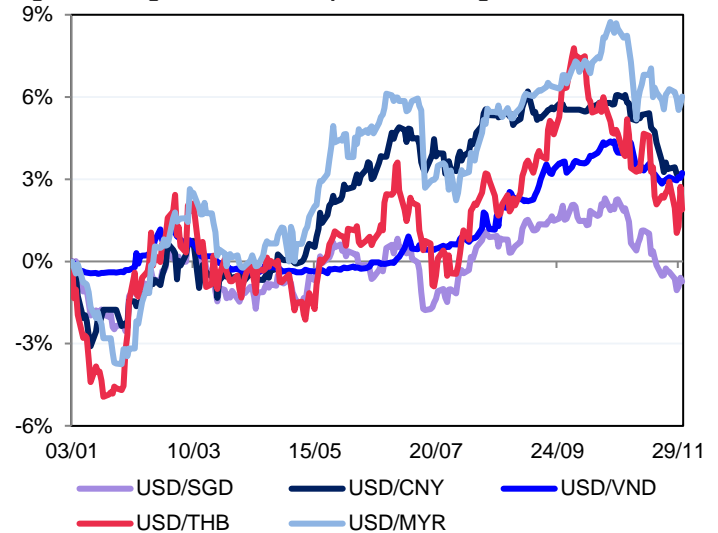
We expect that some positive macro factors adding up such as: The trade surplus in the first 11M23 is estimated to reach USD 25.8bn; Remittances are expected to reach USD 14bn in 2023, and a 2.9% yoy increase in FDI realized in Vietnam, reaching 20.2 billion USD in the first will contribute to stabilizing the pressure on exchange rate at the end of the year. We maintain our forecast that the exchange rate may fluctuate in the range of 24,300 - 24,500 VND/USD in the last months of the year, with the difference between USD and VND interest rates still being maintained and the high demand for foreign currency often occurs at the end of the quarter.

Figure 15: VND/USD exchange rate



Source: SBV, Bloomberg, MBS Research

Figure 16: Regional currencies performance against USD



Source: Bloomberg, MBS Research

Vietnam's economic indicators

Economic indicators	2018	2019	2020	2021	2022	2023F	2024F
1. GDP, population & income							
Nominal GDP (USDbn)	281.3	310.1	334.3	346.6	366.1	408.8	476.9
Real GDP growth (%)	7.08	7.02	2.91	2.58	8.02	5.3	4.7
Exports of goods and services (% yoy)	13.8	8.1	6.5	19	10.6	-8	7
Imports of goods and services (% yoy)	11.5	7	3.6	26.5	8.4	-10	9
Population (mn people)	96.4	97.7	98.5	99.3	100	100.0	101.5
GDP per capita (USD)	2,992	3,267	3,491	3,586	3,756	4,163	4,707
Unemployment rate (%)	2.33	2.33	2.2	2.2	2.2	2.9	2.3
2. Fiscal policy (%GDP)							
Government debt	49.2	51.5	39.1	34.7	36.1	36.1	39.8
Public debt	43.1	38	39.5	38	39.5	38	32.3
Foreign debt	47.1	47.9	38.4	36.8	36	36	36.5
3. Financial indicators							
USD/VND exchange rate	23,180	23,228	23,115	23,145	23,612	24,100	23,600
Inflation rate (%)	3.5	2.8	3.2	1.8	3.15	3.43	3.5
Credit growth (%)	17.1	18.7	18.2	13.9	12.1	11	10
12-month deposit rate	7	7.2	6.8	5.8	8.5	6.3	6
Trade balance (USD bn)	7.2	9.9	19.1	4	11.2	22	12
Goods: Exports (USD bn)	244	263	281	336	371	340	366
Goods: Imports (USD bn)	262	332	360	322	354	322	354
Foreign reserve (USD bn)	55	78	94	109	86	95	110.5

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