

Anh Nguyen

Analyst

Anh2.NguyenDuc@mbs.com.vn

Tuan Hoang

Head of Macro

Tuan.hoangcong@mbs.com.vn

Vietnam Outlook

- **Data from GSO shows continued positive developments in Vietnam's trade performance in November, with export growth estimated at 8.8% yoy, while import turnover increased by 13.4% yoy**
- **Industrial production continued their recovery in November when the IIP increased by 0.5% MoM and 9.2% yoy, of which manufacturing sector expands 11.9% yoy. However, manufacturing PMI fell below 50.**
- **Public investment disbursement is on course when investment from State budget in November is estimated at VND 54.5tn, a 37.1% increase yoy.**
- **To make up for the budget deficit, the VST has taken advantage of the low interest rate environment to**
- **The VND is appreciating slightly against the USD.**

Economic activity

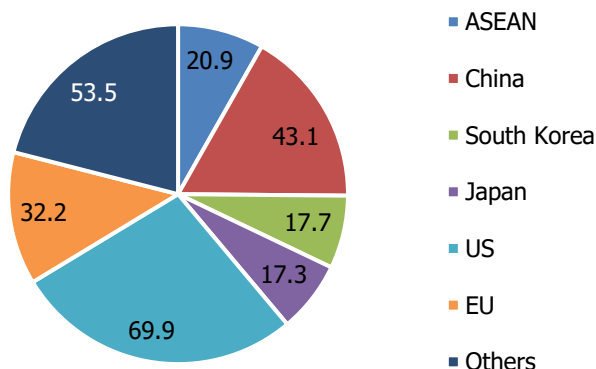
Trade activity

Data from GSO shows continued positive developments in Vietnam's trade performance in November, with export growth estimated at 8.8% yoy, while imports increased by 13.4% yoy. The balance of import and export is increasingly tilting towards trade surplus with an estimated 11-month trade surplus reaching a record USD 20.1 bn, almost double of the USD 10.8bn net export 11M2019 figure.

11M2020 estimates show main exports with great growth such as electronics, computers (+24.3% yoy), machinery and equipment (+44.3%), wood and wood products (+14.1%). However, Covid-19 impact caused exports in some sectors that utilised a large number of employees such as Textile (-10.5% yoy), Footwear (-9.8% yoy) reduce due to weakened demands from developed markets.

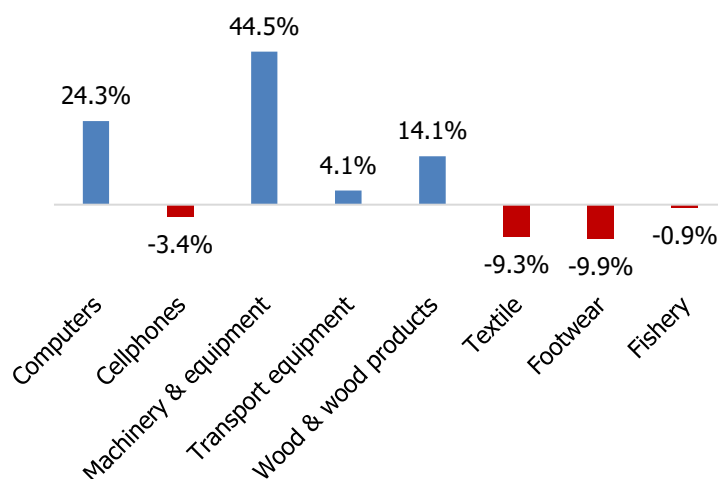
The positive growth of November import activities reflect the domestic manufacturing and consumption demand, demonstrated by the surge in value of crude oil (+71%yoy), rubber (+43.8% yoy), electronics (+39.6% yoy), điện thoại (+66.3% yoy).

Export market of Vietnam in 11M2020 (USDbn)



Source: GSO, Customs.

Growth of major export products in 11M (% yoy)



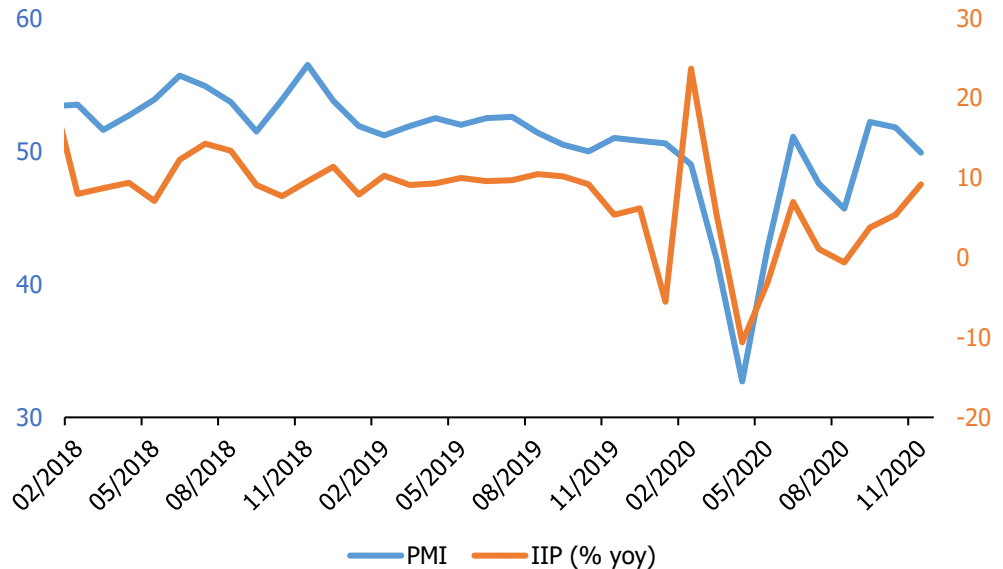
Source: GSO.

Industrial production

Industrial production continued accelerated recovery in November when the Industrial Index of Production (IIP) increased by 0.5% MoM and 9.2% yoy, of which manufacturing sector rose significantly with an increase of 11.9% yoy and water supply and treatment rose 5.3% yoy. Overall, in 11M2020, the IIP has increased by 3.1% yoy.

However, manufacturing PMI after 2 months of recovery has fallen slightly below 50 and ended at 49.9, which is equivalent to little change in business condition during the month. According to IHS Markit, one of the reasons came from the disruption in the central regions due to the recent impacts of typhoons and flooding. This disruption is only temporary and we forecast PMI will recover in the next few months when the holiday season arrives, demand rises and so will the number of orders.

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



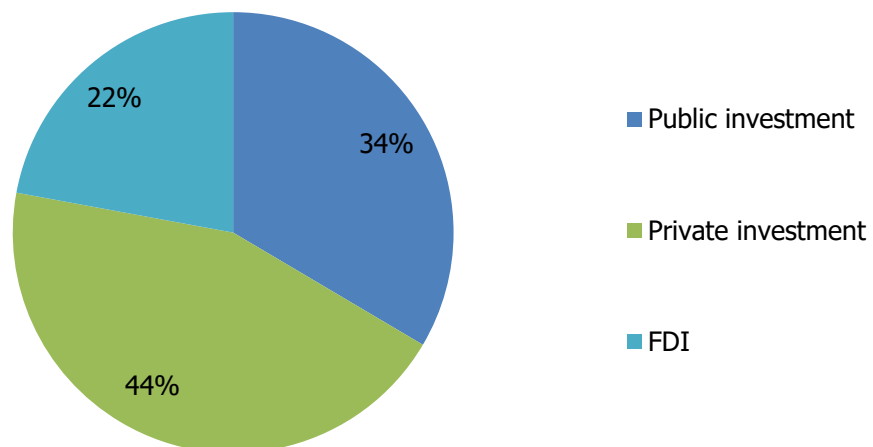
Source: Bloomberg.

Investment

Public investment disbursement is still on course. State authorities are focusing on removing any hindrance, pushing projects, construction using state budget forward. Investment from the State Budget in November is VND 54.5tn, a 37.1% increase yoy. Overall, in 11M2020, investment expenditures using the State fund reached VND 406.8tn, completing 79.3% of the plan for the year and a 34% yoy surge.

Covid-19 impacts have made it difficult for international investors to come to Vietnam, slowing the registered and disburse foreign investments. GSO data on total foreign investments in Vietnam up to 20/11/2020 including newly registered capital, adjusted registered capital and indirect investments reached USD 26.4bn, a 16.9% yoy drop. In which, disbursed FDI is estimated at USD 17.2bn, a slight 2.4% yoy decrease.

Structure of total investments



Source: GSO

Policy

Report from the National Assembly Finance, Budget Committee estimated the 2020 State Budget revenue at VND 1,323tn, missing VND 189tn (-12.5%) compared to the plan. 9M2020, State Budget revenue was only VND 975tn, a 11.5% decrease yoy, while expenditure increased 8.1% to reach VND 1,114tn. Revenue from tax is on the recovery thanks to resuming economic activities and improving imports. However, the serious flooding damage to the central provinces may reduce the tax revenue in Q4, and at the same time increase spending on aids and fixing the damages. In addition, public investment disbursement is going well, leading to the worse deficit than estimates.

In order to make up for the budget deficit, VST took advantage of the low interest rate environment to raise additional fund from government bonds. By the end of November, VST has issued VND 280tn of government bonds, completing 108% of the plan. The longer tenors were preferred, reducing the pressure to pay interest in the near future.

State Budget 9M2020

VND billion	2020 Budget	9M2020	% Target	9M2020 vs 9M 2019
Revenue	1,512,300	975,335	64.5%	88.5%
Domestic	1,264,100	812,438	64.3%	91.7%
Oil and gas	35,200	27,516	78.2%	63.1%
Exports-imports	208,000	134,553	64.7%	79.9%
Official aid	5,000	828	16.6%	23.4%
Expense	1,747,100	1,113,715	63.7%	108.1%
Investment	470,600	269,208	67.8%	140.1%
Current expenditure	1,056,485	756,930	50.0%	103.2%
Interest payment	118,192	80,698	66.3%	94.4%
Other expenditure	101,823	6,879	6.8%	
Budget Balance	-234,800			
Principal repayment	245,031			
Budget deficit	3.44%			
Budget loan	488,921			

Source: Ministry of Finance, GSO.

Government bond issuance 2020 (VND bn)

Tenor	VST 2020 Plan	VST 2020 Issued	% VST 2020 Plan
5Y	20,000	13,670	68%
7Y	15,000	1,730	12%
10Y	90,000	121,148	135%
15Y	100,000	100,473	100%
20Y	20,000	23,915	120%
30Y	15,000	19,403	129%
Total	260,000	280,339	108%

Source: VST, HNX

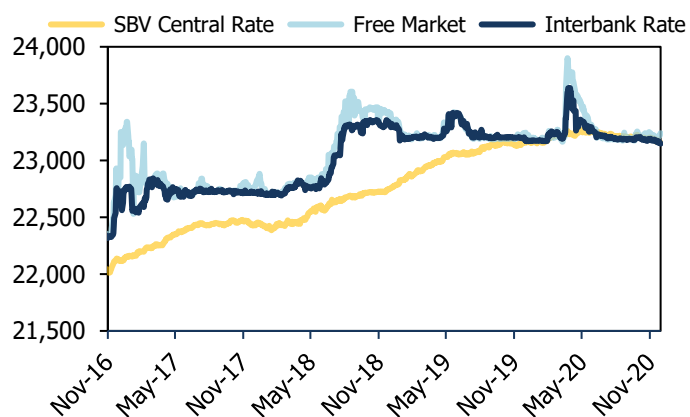
Exchange rate

VND appreciated slightly against USD.

The VND, similar to other regional currencies, is gaining against the dollar. Central rate is at VND 23,155 per USD, down VND 46 per USD compared to the end of October. The interbank rate and the exchange rate on the free market also dropped VND 10-42 per USD compared to the previous month, trading at VND 23,148 per USD and VND 23,240 per USD respectively.

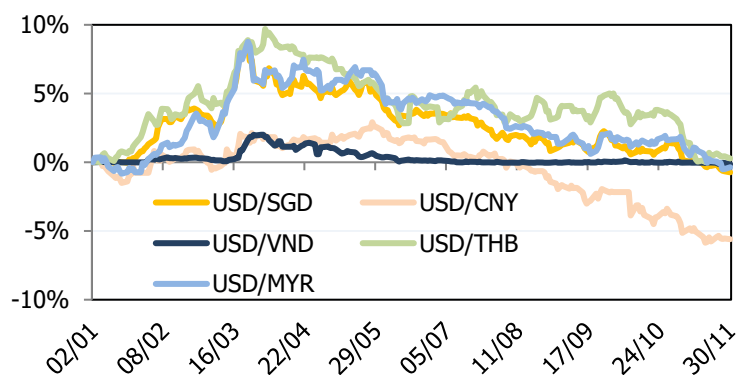
Record level of net export at USD 20.1bn after 11M creates favourable environment for SBV to purchase additional foreign currencies, improving foreign reserve. Recently, SBV has lowered the bid rate for USD from VND 23,175 per USD to VND 23,125 per USD, reducing the cost of purchasing foreign currencies. A sufficient foreign reserve level is an effective tool to manage exchange rate, control inflation, maintain stable macro economic environment. The current reserve level is at USD 93-94bn and is expected to reach USD100bn by the end of 2020.

VND/USD exchange rate



Source: Bloomberg

Regional currencies performance against USD



Source: Bloomberg

Vietnam's economic indicators

Economic indicators	2014	2015	2016	2017	2018	2019	2020F
1. GDP, population & income							
Nominal GDP (USD billion)	186,2	193,2	205,3	223,8	245,2	262,4	269,7
Real GDP growth (%)	6,0	6,7	6,2	6,8	7,1	7,0	2,8
Exports of goods and services (% yoy)	13,8	7,9	9,0	21,8	13,2	8,4	1,1
Imports of goods and services (% yoy)	12,0	12,0	5,6	21,9	11,1	6,8	-0,9
Population (mn people)	91,7	92,7	93,6	94,6	95,5	96,4	97,3
GDP per capita (USD)	2.047	2.086	2.172	2.353	2.551	2.740	2.802
Unemployment rate (%)	2,1	2,33	2,33	2,2	2,2	2,2	2,9
2. Fiscal indicators (%GDP)							
Government debt	46,4	49,2	52,7	51,7	50	49,2	51,5
Public debt	58	61	63,7	61,4	58,4	56,1	58,3
Foreign debt	38,3	42	44,8	48,9	46	45,8	47,0
3. Financial indicators							

USD/VND exchange rate	21.373	22.485	22.740	22.690	23.180	23.228	23.351
Inflation rate (%)	4,1	0,6	2,7	3,5	3,5	2,8	3,7
Credit growth	14,2	17,1	18,7	18,2	13,9	12,1	10
12-month lending rate	8,8	8,5	8,5	8,5	8,5	8,5	7,5
Trade balance (USD million)	2.368	-3.759	1.602	1.903	6.795	11.100	16.100
Goods: Exports (USD million)	150.217	162.017	176.581	215.119	243.483	264.200	267.100
Goods: Imports (USD million)	147.849	165.776	174.978	213.215	236.688	253.100	251.000
Current account (USD million)	9.074	-119	5.924	4.676	5.844	5.435	5.266
Foreign reserve (USD million)	34.575	28.616	36.906	49.497	54.491	79.000	100.000

Source: MBS summarized and projected.

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MBS HEAD OFFICE

MB Building, 3 Lieu Giai, Ba Dinh, Hanoi

Tel: + 8424 3726 2600 - Fax: +8424 3726 2601

Website: www.mbs.com.vn

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