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GLOBAL ECONOMIC OUTLOOK

Highlights:

By mid-August 2021, at least one dosage of the Covid-19 vaccine has been given to about 30% of the world's population, and 16.2% has been fully immunized. Globally, 4.25 billion doses have been delivered, with 38.47 million doses being administered every day.

In 2021 and 2022, the global economy is expected to expand by 6.0% and 4.9%, respectively. Although the projection for 2021 is constant from previous reports, there are offsetting adjustments among advanced, emerging market, and developing nations due to variations in pandemic developments and policy moves.

Despite instability global oil market in 2020, US crude oil exports hit a new high in the end of July. US crude oil exports have averaged 3.00 million barrels/day so far this year. During the last week of July 2021, the Brent spot price averaged USD 76.13/barrel, and the WTI spot price averaged USD 73.35/barrel. By mid-August, Brent and WTI prices both dropped, but still remained above USD 65/barrel.

About 940,000 jobs were generated in July, with substantial increases in leisure and hospitality, public and private education, professional and business services, and retail commerce, among other sectors. The unemployment rate dropped to 5.4%, while the number of jobless people remained at 9.5 million.

The US's inflation in July have stayed at its high after the rose in June – the highest inflation rate in almost 13 years, owing to a rise in used car prices as well as price hikes in food and energy. The consumer price index rose 5.4 % from the previous year, the biggest increase since August 2008, right before the financial crisis reached its apex.

The People's Bank of China (PBOC) announced a reduction in the required reserves ratio (RRR), releasing roughly 1 trillion Yuan (USD 154.43 billion) into the economy. While most market players believe the RRR drop was intended to stabilize banks' funding requirements and minimize their costs in order to encourage credit expansion.

The Congressional Budget Office predicted earlier this month that the US budget deficit in fiscal 2021 will be USD 3 trillion, close to the record USD 3.130 trillion in fiscal 2020, with the largest deficit ratio above GDP since World War II.

World Economic Outlook

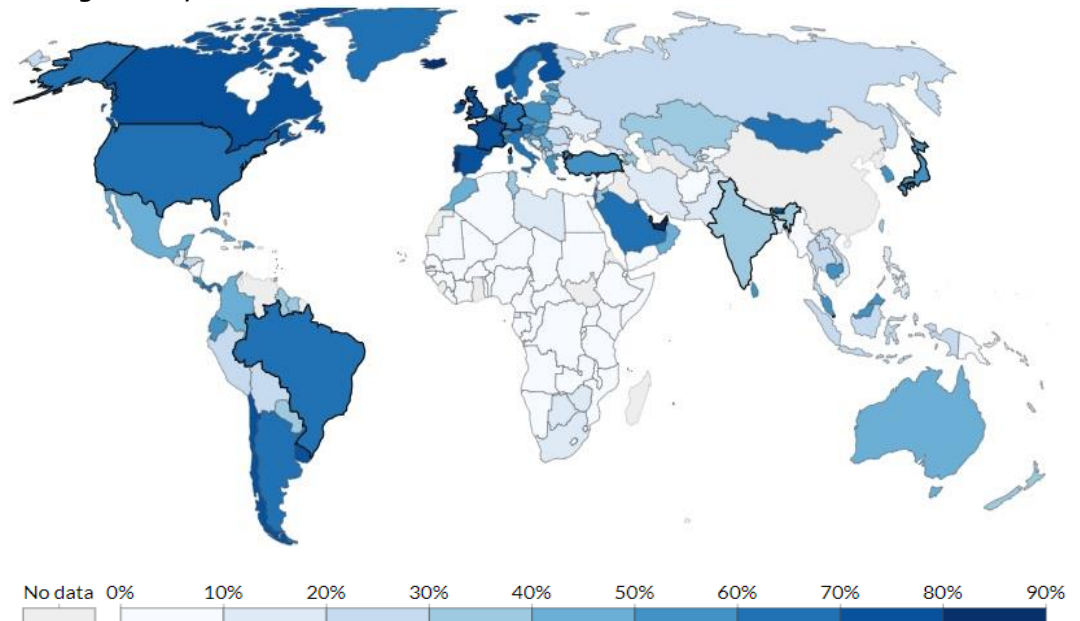
Economic growth

Compared to the previous few months, the Covid-19 pandemic has worsened in several parts of the world. Meanwhile, in some areas, a fast vaccine introduction has helped reduce caseloads quickly. Differences in the pace of vaccine implementation and governmental assistance are causing economies to diverge even further. Even in regions where infections appear to be under control, smooth and long-lasting recovery is not guaranteed.

By mid-August 2021, at least one dosage of the Covid-19 vaccine has been given to about 30% of the world's population, and 16.2% has been fully immunized. Globally, 4.25 billion doses have been delivered, with 38.47 million doses being administered every day. In low-income nations, just 1.3% of individuals have got at least one dosage. To terminate the pandemic, the World Health Organization proposes that vaccination rates need to reach at least 40% of the population in each country by the end of 2021 and at least 60% by the middle of 2022, as well as adequate diagnostics and therapies. It is projected that the required upfront grant and concessional loan funding will cost around USD 50 billion.

In 2021 and 2022, the global economy is expected to expand by 6.0% and 4.9%, respectively. Although the projection for 2021 is constant from previous reports, there are offsetting adjustments among advanced, emerging market, and developing nations due to variations in pandemic developments and policy moves. The 0.5 percentage point increase in 2022 is primarily due to increased fiscal stimulus in the United States, which will have global implications.

Share of people who received at least one dose of Covid-19 vaccine (% Population) on August 20th, 2021



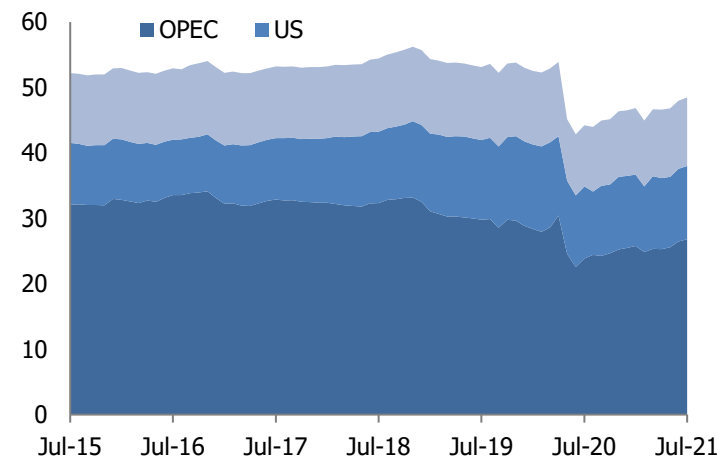
Source: OurWorldInData

Oil Market

Despite instability global oil market in 2020, US crude oil exports hit a new high in the end of July. US crude oil exports have averaged 3.00 million barrels/day so far this year. According to the US Energy Information Administration's Weekly Petroleum Status Report, the most recent four-week rolling average of US crude oil exports was 3.51 million barrels/day. OPEC and its non-OPEC partners agreed to phase out 5.8 million barrels/day of production cutbacks by September 2022.

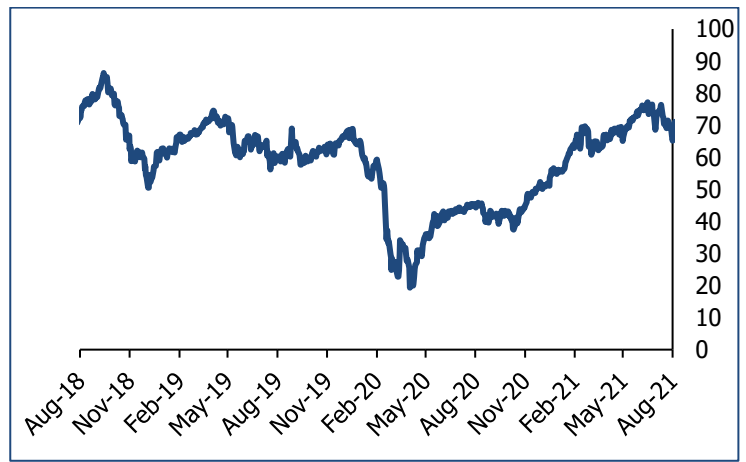
High oil prices have contributed to steady crude oil exports recently. During the last week of July 2021, the Brent spot price averaged USD 76.13/barrel, and the WTI spot price averaged USD 73.35/barrel. By mid-August, Brent and WTI prices both dropped, but still remained above USD 65/barrel.

Crude oil output (million barrels/day)



Source: Bloomberg

Brent oil price (USD/barrel)



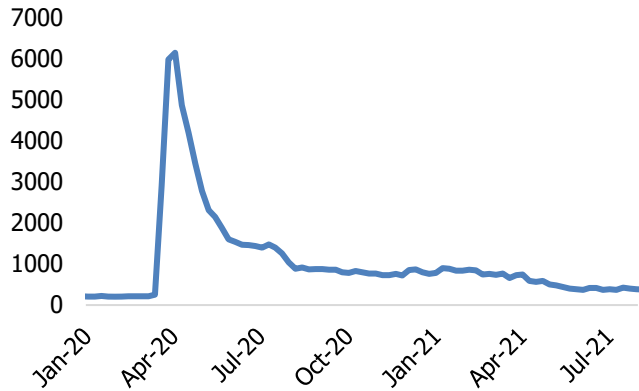
Source: Bloomberg

Labor Market

According to the Bureau of Labor Statistics, 940,000 jobs were generated in July, with substantial increases in leisure and hospitality, public and private education, professional and business services, and retail commerce, among other sectors. The unemployment rate dropped from 5.9% to 5.4% by the end of July, while the number of jobless people remained at 9.5 million. The average hourly salary on private nonfarm payrolls increased by ten cents to \$30.40. The average hourly wage for private-sector production and nonsupervisory employees increased by ten cents to \$25.68.

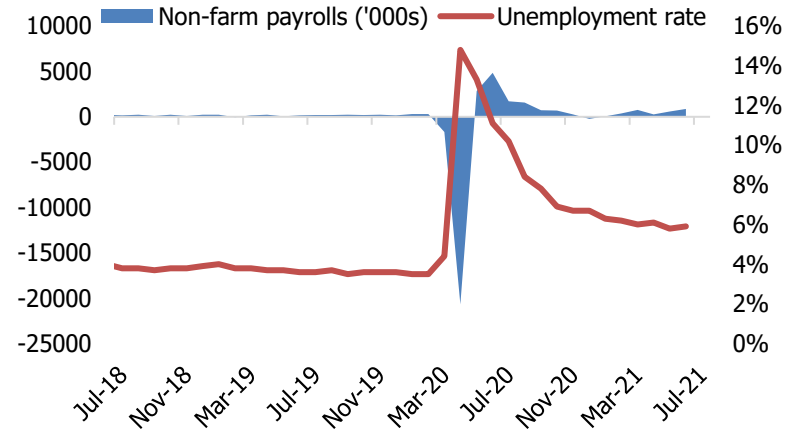
According to Mike Lee, a member of the Joint Economic Committee, the economy added over 900,000 jobs in July, demonstrating workers' and companies' will to recover from the Covid-19 outbreak. Despite the efficacy of vaccinations rollout and an all-time high in job vacancies, employment is still 7 million jobs below pre-pandemic levels. Workers are likely reacting to poorly constructed legislation that pays them enormous sums to avoid going back to work, while unrestrained federal expenditure and low employment have contributed to inflation.

Initial weekly jobless claims in the U.S. ('000)



Source: Bloomberg

US unemployment rate and non-farm payrolls



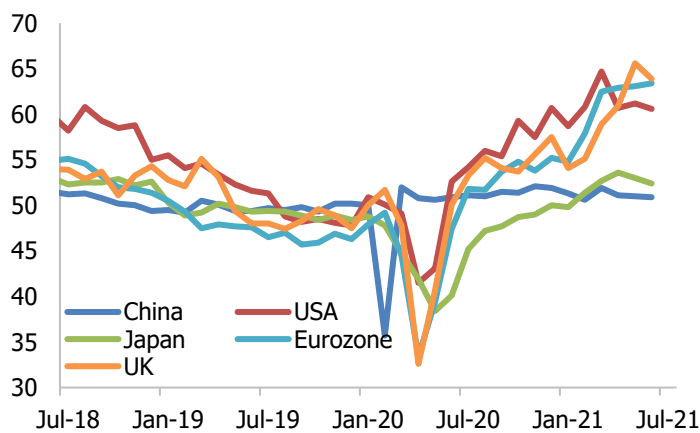
Source: Bloomberg

Manufacturing and consumption

The Labor Department reported that US's inflation in July have stayed at its high after the rose in June – the highest inflation rate in almost 13 years, owing to a rise in used car prices as well as price hikes in food and energy. The consumer price index rose 5.4% from the previous year, the biggest increase since August 2008, right before the financial crisis reached its apex. Dow Jones polled economists, and they predicted a 5% increase. After excluding volatile food and energy costs, the core CPI increased by 4.5%, the most since September 1991 and considerably above the forecast of 3.8%. On a monthly basis, headline and core prices increased 0.9%, versus a forecast of 0.5%.

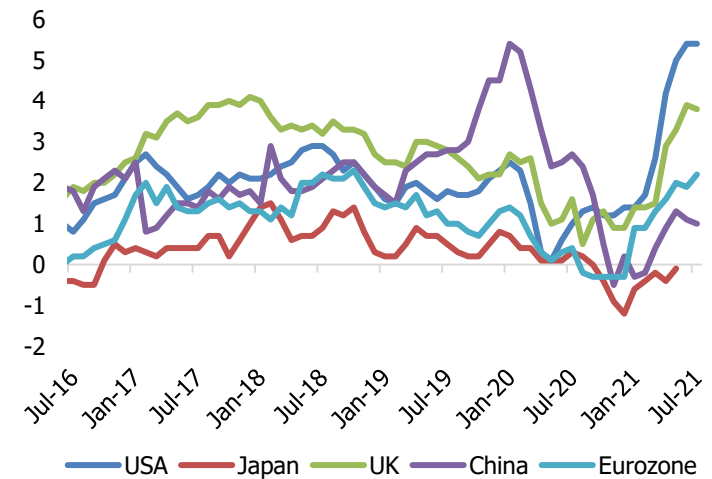
Supply-chain bottlenecks, extremely high demand as the Covid-19 epidemic fades, and year-over-year comparisons to a period when the economy was trying to recover in the early months of the crisis have all contributed to rising inflation. Though central bank officials have admitted that inflation is higher and possibly more permanent than they had anticipated, policymakers at the Federal Reserve and the White House expect present pressures to begin to lessen.

Manufacturing PMI of major countries



Source: Bloomberg

Inflation rate (% YoY) in major economies



Source: Bloomberg

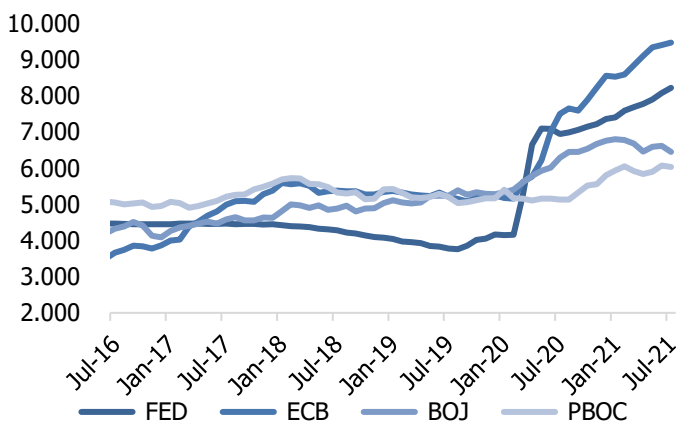
Policies

Monetary policy

Throughout the forecast horizon, major central banks are expected to maintain their current policy rates until the end of 2022. Some developing market central banks have begun to reduce assistance, with more likely later in 2021. China's economy was the first to undergo a COVID-19 recession and the first to emerge from it. China is also the first country to significantly restrict fiscal and monetary assistance through a variety of measures, including new laws to curb property speculation.

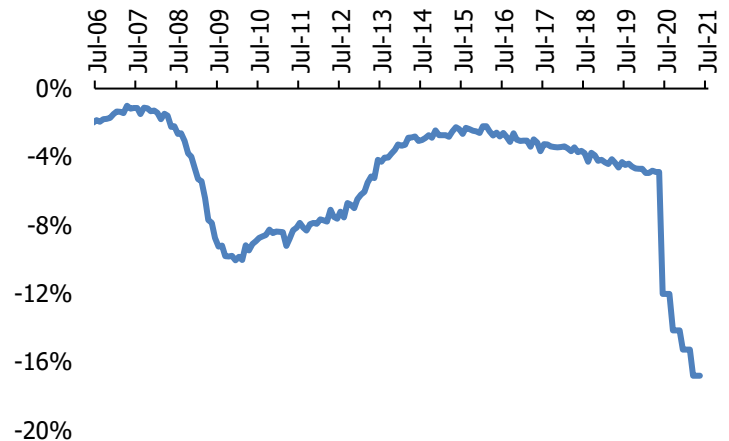
Following China's unexpected move to decrease reserve requirements for its banks in July, some market experts believe a drop in the country's benchmark lending prime rate is on the way, potentially as soon as the following week. The People's Bank of China (PBOC) announced a reduction in the amount of cash that banks are required to maintain as reserves, releasing roughly 1 trillion yuan (USD 154.43 billion) into the economy. While most market players believe the RRR drop was intended to stabilize banks' funding requirements and minimize their costs in order to encourage credit expansion, some feel a cut in key policy rates would complement this new dovish stance.

Total assets on major CB's balance sheets (USD bn)



Source: Bloomberg

US budget deficit (%GDP)



Source: Bloomberg

Fiscal Policy

According to a August report by the US Treasury Department, the country's budget deficit skyrocketed to USD 2.240 trillion in the first nine months of fiscal 2021 (ending September 30, 2021). During the pandemic, federal revenue grew to USD 3.050 trillion, but overall spending increased to USD 5.290 trillion, owing mostly to unemployment compensation and economic stimulus measures. The Congressional Budget Office predicted earlier this month that the US budget deficit in fiscal 2021 will be USD 3 trillion, close to the record USD 3.130 trillion in fiscal 2020, with the largest deficit ratio above GDP since World War II.

In the United States, The American Families Plan (USD 2 trillion) and the American Jobs Plan (USD 2.3 trillion) are two multi-year spending packages proposed by the Biden administration, totaling 18% of GDP in 2021. Despite the fact that the fundamental goal of the programs is to boost the recovery by continuing to provide assistance to vulnerable households. The American Jobs Plan also emphasizes the development of human and physical capital as a means of boosting long-term growth and economic transformation.

Economic indicators of selected countries

Countries	GDP (% YoY)		CPI (% YoY)		Unemployment rate (%)	
	Latest		Latest		Latest	
US	6.4	Q2	5.0	June	5.8	June
EU	-1.3	Q2	2.3	June	8.3	June
Germany	-3.4	Q2	2.5	June	6.0	June
France	1.2	Q2	1.4	June	7.3	June
Italy	-0.8	Q2	1.2	June	10.7	June
Spain	-4.3	Q2	2.7	June	16.0	June
UK	-6.1	Q2	2.1	June	4.7	June
Japans	-1.6	Q2	0.1	June	2.8	June
China	18.3	Q2	1.3	June	5.5	June
Russia	-0.7	Q2	6.0	June	5.2	June

Source: OECD, MBS summarized.

Economic indicators forecast of selected countries

Countries	GDP (% YoY)		CPI (% YoY)		Unemployment rate (%)	
	2020	2021F	2020	2021F	2020	2021F
US	-3.5	6.4	1.2	2.3	8.1	5.8
EU	-6.6	4.4	2.0	3.1	8.3	8.5
Germany	-4.9	3.6	0.4	2.2	4.2	4.4
France	-8.2	5.8	0.5	1.1	8.2	9.1
Italy	-8.9	4.2	-0.1	0.8	9.1	10.3
Spain	-11.0	6.4	-0.3	1.0	15.5	16.8
UK	-9.9	5.3	0.9	1.5	4.5	6.1
Japan	-4.8	3.3	0.0	0.1	2.8	2.8
China	2.3	8.4	2.4	1.2	3.8	3.6
World	-3.3	6.0	2.1	2.5		

Source: OECD, MBS summarized.

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