

Anh Nguyen, CFA

Analyst

Anh2.NguyenDuc@mbs.com.vn

Tuan Hoang

Head of Macro

Tuan.hoangcong@mbs.com.vn

Vietnam Outlook

- **January inflation remained stable when CPI only increased by 0,06% mom and decreased by 0.97% yoy**
- **Vietnam's trade performance grew impressively yoy mainly due to difference in Tet holiday with a net export of USD 1.3bn. Exports turnover grew at 50.1% compared to 2020 level, whereas imports grew 41.6%**
- **Industrial production growth slowed down when the IIP increased by 22.2% yoy but declined 3.2% mom. Manufacturing PMI remained above 50 but fell slightly compared to last month, partly due to a lack of containers, disrupting the supply chain.**
- **Foreign investment fell sharply by 22% yoy due to the impact of Covid-19, but the rate of disbursement remained stable at a growth rate of 4%.**
- **USD/VND exchange rate continues to move sideways.**

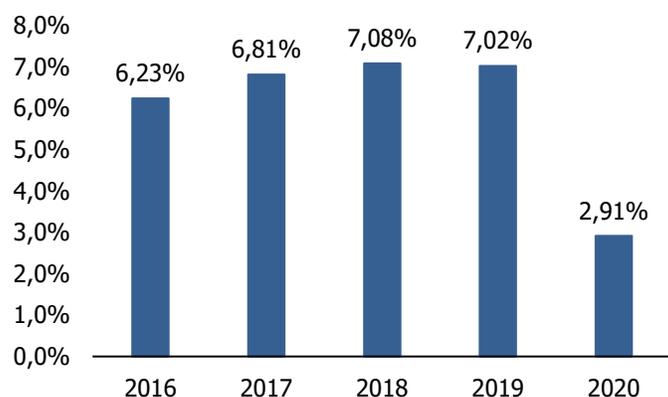
Economic activity

Inflation

January is close to Tet so the consumption demand rises, followed by higher food prices. In addition, oil price has been rallying the past few weeks so petrol price also rose twice during the month. However, January CPI only increased by 0.06% MoM and declined by 0.97% yoy because of the Housing and construction materials (-2.31% MoM, -3.55% yoy).

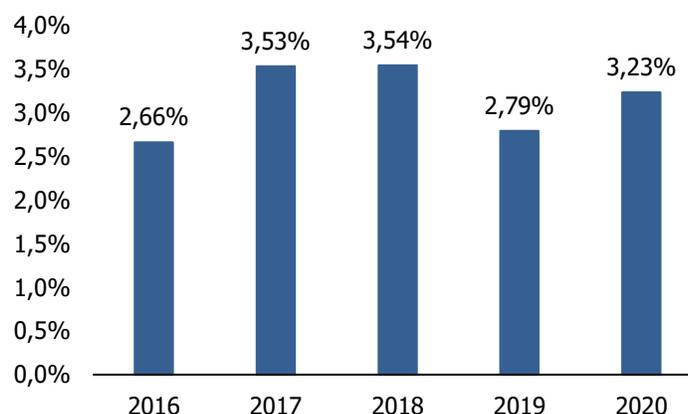
Although there are a number of factors that put pressure on inflation in 2021 such as the movement of food prices and gasoline prices and low interest rate environment, we still expect inflation in 2021 to be stable due to the conservative monetary policy of the State Bank compared to other countries in the region and around the world, plus domestic demand is difficult to recover quickly in the current environment, limiting the demand-pull factor.

Vietnam's annual GDP growth



Source: GSO.

Vietnam's average annual inflation rate



Source: GSO.

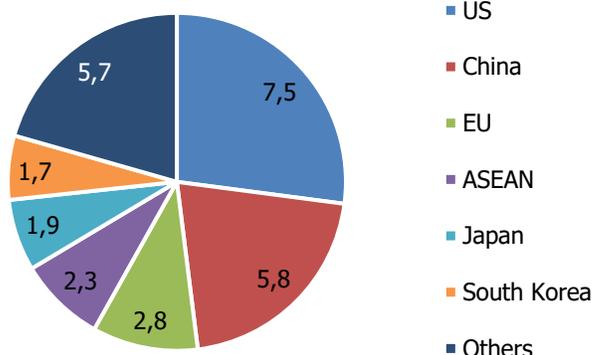
Trade activity

Import-export activities have been progressing well in the first month of the year. Total export turnover is estimated at USD 27.7b (+50.5% yoy) and import turnover is USD 26.4bn (+41% yoy), mainly due to the fact that last year Tet was in January and this year's is in February. Thus in January, Vietnam net exported USD 1.3bn, in which domestic sector net imported USD 1.8bn, foreign sector (including crude oil) net exported USD 3.1bn

Heavy industrial products and mineral resources export turnover is at USD 15.6bn (+71.6% yoy). Light industrial products turnover is USD 9.7bn (+32.3% yoy). Farming and forestry products turnover is at USD 1.8bn (+21.4% yoy). Fishery reached USD 600mn (+19.6% yoy).

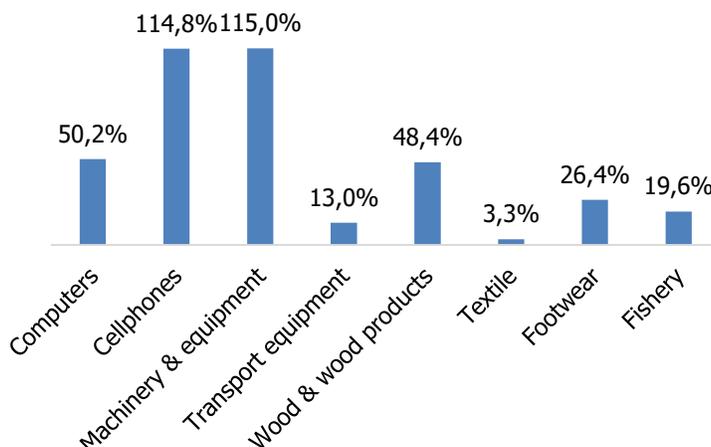
In terms of imports, manufacturing materials turnover is estimated at USD 24.7bn (+41% yoy) and accounted for 93.7% of all imports. Consumption products import is USD 1.7bn (+41.5% yoy), accounting for 6.3%.

Export market of Vietnam in Jan 2021 (USDbn)



Source: GSO, Customs.

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



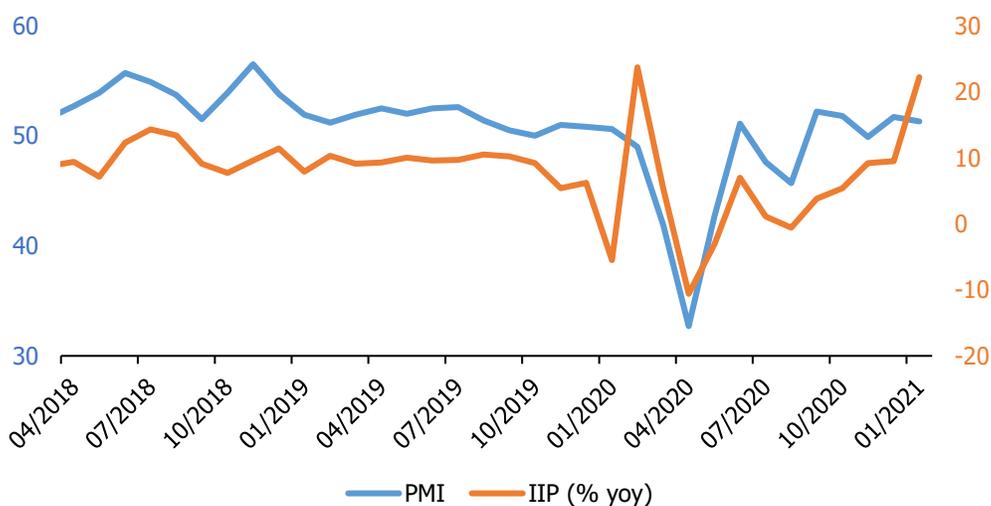
Source: GSO.

Industrial production

Industrial production growth slowed down when the index of industrial production (IIP) increased by 22.2% yoy, but decreased by 3.2% compared to December. Of which the processing and manufacturing industry increased by 27.2% yoy, the electricity production and distribution industry increases by 16.3%, while the mining industry decreased by 6.2%. The sharp increase was due to different Tet timings.

January manufacturing PMI was at 51.3, slight fall from December 51.7. Even though the business conditions improved slightly, the growth rate is still weaker than last month. Meanwhile, the lack of shipping containers and scarcity of materials disrupted the supply chain, pushed materials price. We forecast even though there are short term hindrances, manufacturing activities will still improve in the next few months.

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



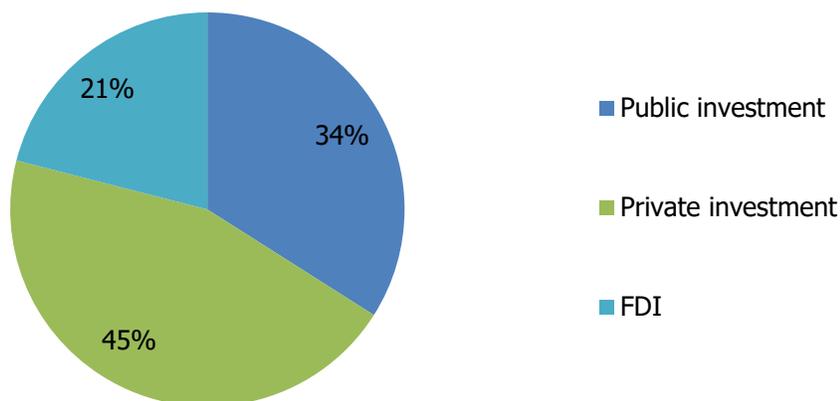
Source: Bloomberg.

Investment

January investment from State budget is estimated at VND 23.2tn, 5.1% of the 2021 plan and rises 24.5% yoy. The main investment activities were to continue the works from 2020 and to complete the finalization of work done from the year before.

Total foreign investment capital in Vietnam as of 20/01/2021, including newly registered capital, adjusted registered capital and indirect investments reached USD 2bn, down 62.2% compared to January 2020. However, disbursement still remained the same level with the disbursed FDI capital estimated at nearly USD 1.5bn, up 4.1% over the same period last year.

Structure of total investments



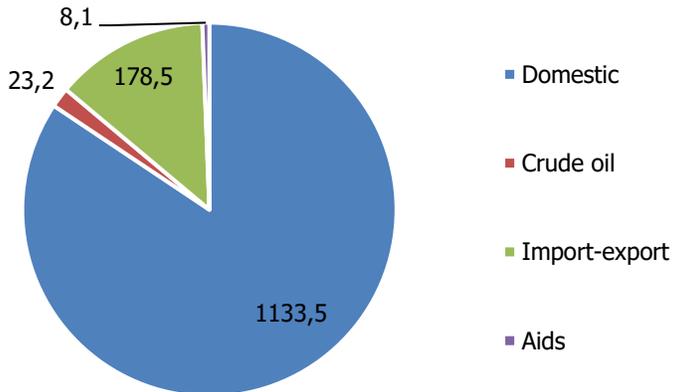
Source: GSO

Budget

According to Tax Department, tax revenue in January is at VND 134tn, 12% completed the annual plan but dropped 18.8% yoy. The main reason is the weaker economic growth compared to January 2020, when Covid-19 has not struck Vietnam yet.

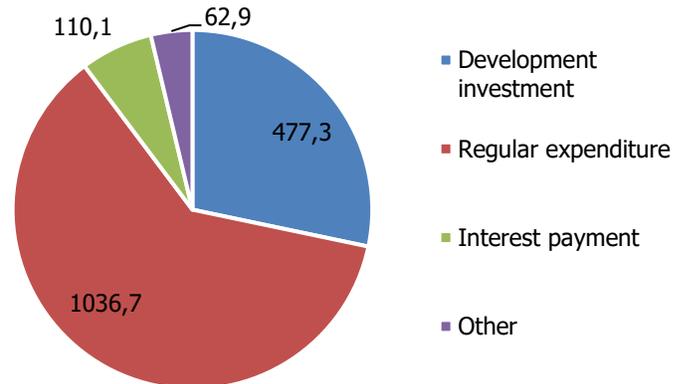
In addition, some policies to assist businesses and people launched in the latter half of 2020 are still effective cause a drop in revenue in the first few months of 2021. According to Tax Department's revenue, the raise of tax-deductible level for PIT reduced January revenue by VND 1.8tn. The 30% CIT tax cut for businesses with under VND 200bn revenue reduced January revenue by VND 2.8tn. In addition, the 30% environment tax for flight fuel is extended till the end of 2021.

State budget 2021 revenue estimates



Source: MoF.

State budget 2021 expenditure estimates



Source: MoF.

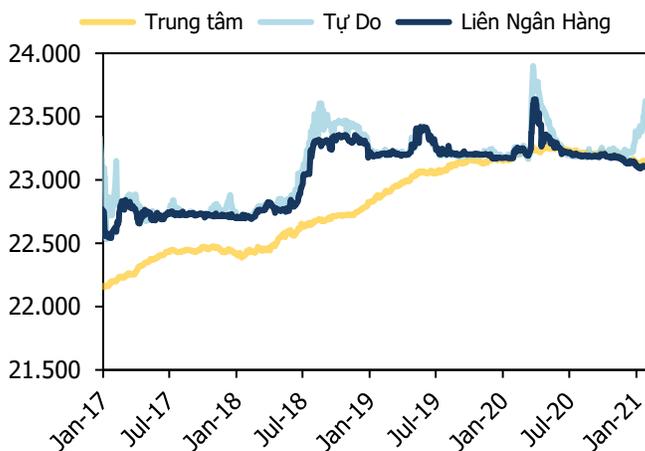
Exchange rate

VND keeps its value against USD.

DXY index, the measure of value of the USD compared to a basket of currencies, is recovering, pulling the USD/VND exchange rate up. The central exchange rate is at VND 23,136 per USD, up VND 29 per USD compared to the end of December. The interbank rate dropped about VND 10 per USD to VND 23,105 per USD. Meanwhile, rising demand for foreign currencies in public at the end of the lunar new year led to an increase of VND 160 per USD to VND 23,520 per USD.

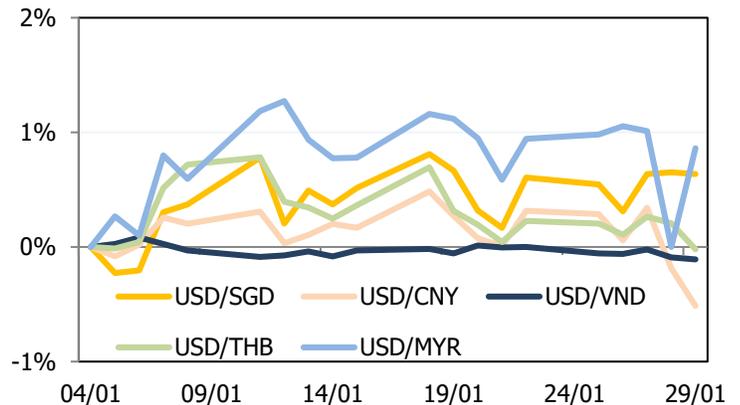
In January, the export-import activities have been active with a net export of USD 1.3bn. Compared to other regional currencies, VND remained the most stable currency against the USD and the positive conditions like healthy net exports, high foreign reserves, inflation under control will continue in 2021.

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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MBS HEAD OFFICE

MB Building, 21 Cat Linh, Dong Da, Hanoi

Tel: + 8424 7304 5688 - Fax: +8424 3726 2601

Website: www.mbs.com.vn

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