

Tuan Hoang

Head of Macro

Tuan.HoangCong@mbs.com.vn

Hoang Nguyen

Research Analyst

Hoang.NguyenTrong@mbs.com.vn

Vietnam Outlook

- According to the World Bank, Vietnam's economic growth prospect in 2022 is positive. When manufacturing and service industries return to normal, output will skyrocket, like China's in early 2021. Most international forecasts also put the figure in the 6-7% range for Vietnam's GDP growth in 2022.
- In March 2022, due to the impact of the war between Russia and Ukraine, domestic gasoline prices increased in line with world fuel prices; along with housing rents, rising prices of essential consumer goods and services were the main reasons for the consumer price index (CPI) in March to increase by 0.7% over the previous month and by 2.41% compared to the same period last year.
- Total retail sales of consumer goods and services in the first quarter of 2022 increased by 4.4% over the same period last year, estimated at VND 1,318 trillion. In the first three months of 2022, export turnover of goods was estimated at USD 88.58 billion, up 12.9% over the same period last year. Import turnover of goods was estimated at USD 87.77 billion, up 15.9% over the same period last year.
- Industrial production (IIP) in the first quarter of 2022 was estimated to increase by 7.07% over the same period last year due to the strong growth of the processing and manufacturing industry; electricity production and distribution; and mining. However, the Purchasing Managers' Index (PMI) of Vietnam's manufacturing industry dropped to 51.7 points in March 2022, from 54.3 points in February.
- In the first quarter of 2022, the realized investment capital of the whole society was estimated at VND 562.2 trillion, up 8.9% over the same period last year. In which, state capital is estimated at VND 136.5 trillion, accounting for 24.3% of total investment capital and increasing by 9.3% over the same period last year; the non-state sector reached 323.1 trillion dong, accounting for 57.5%, up 9.1%; the foreign direct investment sector reached VND 102.6 trillion, accounting for 18.2% and increasing by 7.9%.
- The DXY Index recorded at 98.5 in March. The VND/USD exchange rate increased slightly amid the lack of progress in the peace talks between Russia and Ukraine, prompting investors to turn to more moderate assets. Currently, the central and interbank rates are trading at 23,100 VND/USD and 22,969 VND/USD, respectively.

Economic activity

Economic Growth

Gross domestic product (GDP) in the first quarter of 2022 is estimated to increase by 5.03% over the same period last year. Although lower than the 6-6.5% target set by the National Assembly for the whole year of 2022, it is still higher than the growth rate of 4.72% of the first quarter of 2021 and 3.66% of the first quarter of 2020. In which, the agriculture, forestry and fishery sector increased by 2.45%, accounting for 5.76% of the general increase; industry and construction increased by 6.38%, accounting for 51.08%; the service sector increased by 4.58%, accounting for 43.16%.

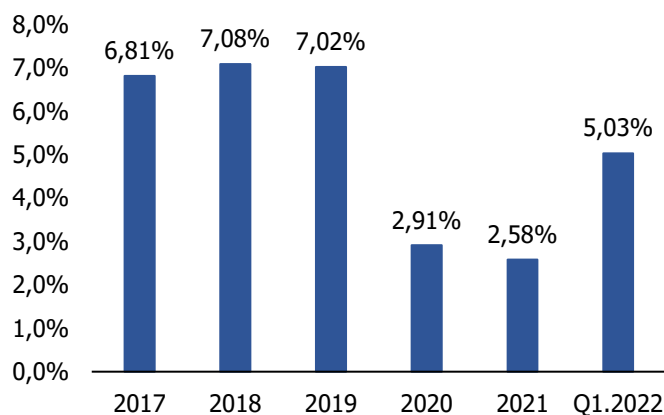
According to the World Bank, Vietnam's economic growth prospect in 2022 is positive. When manufacturing and service industries return to normal, output will skyrocket, like China's in early 2021. Most international forecasts also put the figure in the 6-7% range for Vietnam's GDP growth in 2022. Tourism will begin to recover from a decline of more than 95% from 2019 levels. Exports will increase by about 15% and the trade balance will remain positive. Inflation will remain low and the dong will continue to appreciate slightly against the US dollar.

Inflation

In 2022, the National Assembly sets a target for the CPI growth rate to reach 4%. Vietnam's average CPI in 2021 only increased by 1.84% over the previous year, the lowest in the past 6 years, reaching the previously set target, continuing to be the year of successful inflation control. However, inflation pressure in 2022 is present due to the impact of the USD 350,000 billion stimulus package and the risk of "inflation import".

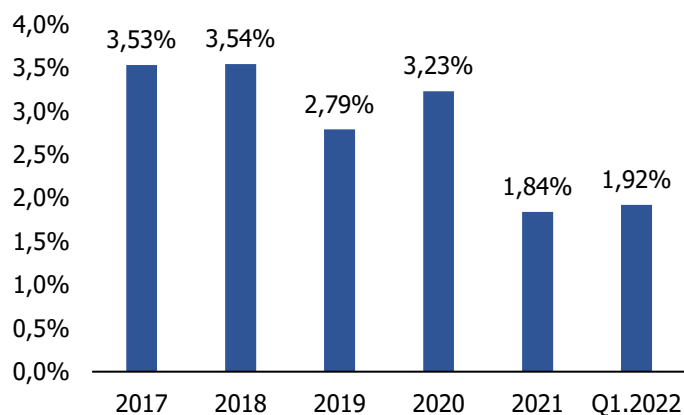
In March 2022, due to the impact of the war between Russia and Ukraine, domestic gasoline prices increased in line with world fuel prices; along with housing rents, rising prices of essential consumer goods and services were the main reasons for the consumer price index (CPI) in March to increase by 0.7% over the previous month and by 2.41% respectively compared to the same period last year. On average, in the first quarter of 2022, CPI increased by 1.92% and core inflation increased by 0.81% compared to the first quarter of 2021.

Vietnam's annual GDP growth



Source: GSO.

Vietnam's average inflation rate by year



Source: GSO.

Trade activity

Total retail sales of consumer goods and services in the first quarter of 2022 increased by 4.4% over the same period last year, estimated at VND 1,318 trillion. In March, total retail sales of consumer goods and services reached VND 438 trillion, up 2.9% month-on-month and up 9.4% year-on-year. The main reason comes from the post-Covid-19 new normal and the number of international arrivals to Vietnam skyrocketed again in the first three months of 2022, receiving more than 90,000 arrivals and an increase of 89.1% compared to the same period last year.

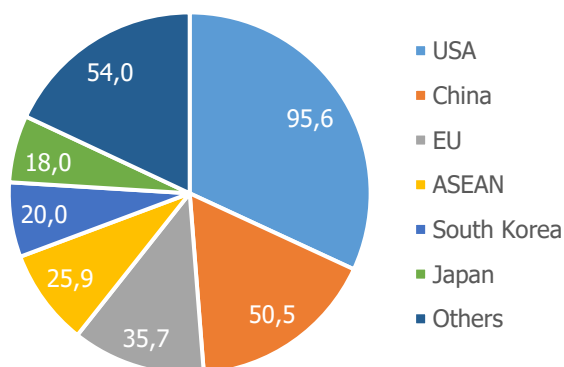
Generally, in the first 3 months of 2022, export turnover of goods was estimated at USD 88.58 billion, up 12.9% over the same period last year. In which, the domestic economic sector reached USD 23.27 billion, up 22%, accounting for 26.3% of total export turnover; FDI sector reached USD 65.31 billion, up 10%, accounting for 73.7%. In the first 3 months of the year, Vietnam has 15 products with export turnover of over USD 1 billion, accounting for 80% of total export turnover; in which, there are 5 export products with over USD 5 billion, accounting for 58%.

In terms of goods import turnover, Vietnam was estimated at USD 87.77 billion in the first three months of the year, up 15.9% over the same period last year. In which, the domestic economic sector reached USD 29.43 billion, up 13.7%; FDI sector reached USD 58.34 billion, up 17.1%. In the first 3 months of 2022, there were 16 imported items with a value of over USD 1 billion, accounting for 76.1% of the total import turnover.

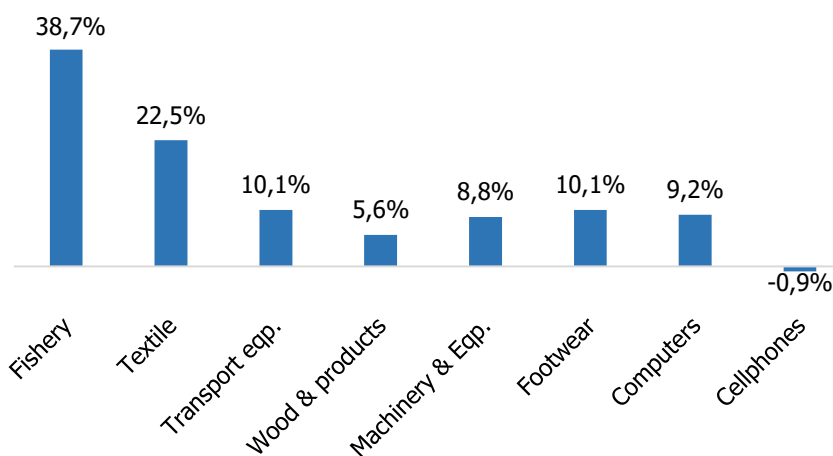
The realized trade balance of goods in 2021 has a trade surplus of USD 4.08 billion and is currently estimated to have a trade surplus of USD 809 million in the first quarter of 2022. In which, the domestic economic sector has a trade deficit of USD 6.16 billion; the foreign-invested sector had a trade surplus of USD 6.97 billion.

Export market of Vietnam in 2022 YTD (USD bn)

Growth of major export products in 2022 YTD (% YoY)



Source: GSO, Customs.



Source: GSO.

Industrial production

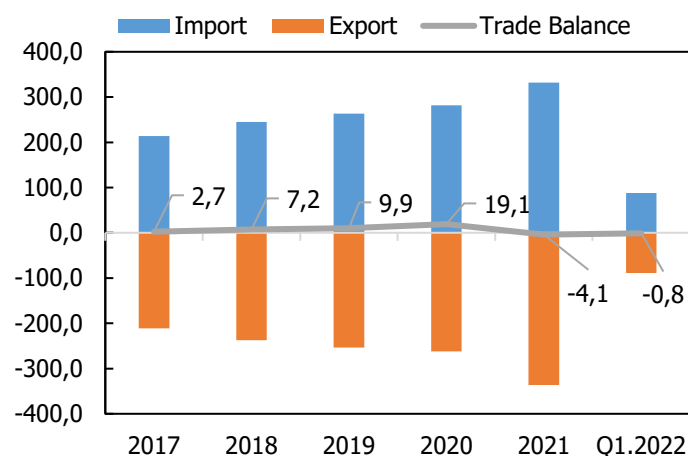
Index of Industrial production (IIP) in the first quarter of 2022 was estimated to increase by 7.07% over the same period last year due to the strong growth of the processing and manufacturing industry; electricity production and distribution; and mining. Compared to the first quarter of last year, the processing and manufacturing industry increased by 7.79%, contributing 2.05 percentage points to the overall growth of the whole economy; electricity production and distribution increased by 7.42%, contributing 0.29 percentage points; water supply industry,

waste and wastewater management and treatment activities increased by 6.54%, contributing 0.04 percentage points; the mining industry increased by 1.23% (due to an increase in coal mining output by 3.2%; metal ore mining increased by 5%), contributing 0.04 percentage points.

In the first quarter of 2022, the consumption index of the whole processing and manufacturing industry increased by 6.6% over the same period last year. The inventory index of the entire processing and manufacturing industry was estimated as of March 31, 2022, up 4.8% over the same period last month and 17.7% over the same period last year. The average inventory rate of the entire processing and manufacturing industry in the first quarter of 2022 is 79.9%.

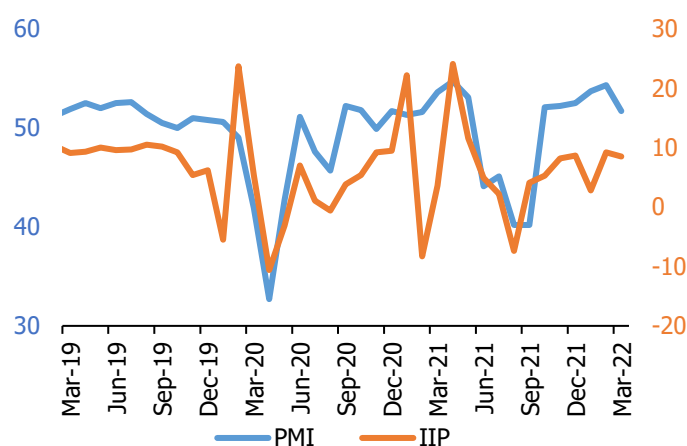
The Purchasing Managers' Index (PMI) for Vietnam's manufacturing dropped to 51.7 in March 2022, from 54.3 in February. According to IHS Markit, despite overall business conditions is improving, but this period improvement is the least significant of the last half-year of growth due to falling jobs, falling output, and the fastest increase in input costs in nearly 11 years.

Import and Export Activities of Vietnam (USD bn)



Source: GSO.

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



Source: Bloomberg.

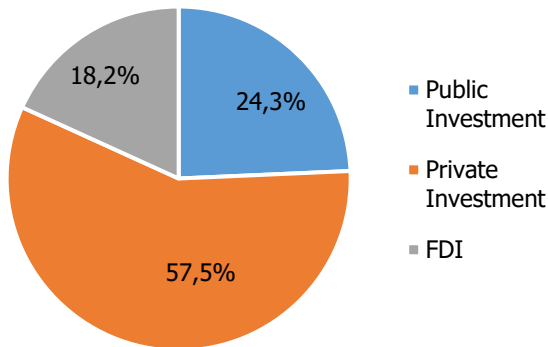
Investment

Generally, in the first quarter of 2022, the realized investment capital of the whole society was estimated at VND 562.2 trillion, up 8.9% over the same period last year. In which, capital from the state sector was estimated at VND 136.5 trillion, accounting for 24.3% of total investment capital and increasing by 9.3% over the same period last year; the non-state sector reached VND 323.1 trillion, accounting for 57.5%, up 9.1%; the foreign direct investment sector reached VND 102.6 trillion, accounting for 18.2% and increasing by 7.9%.

Total foreign investment capital registered in Vietnam as of March 20, 2022 reached USD 8.91 billion, down 12.1% over the same period last year. In which, newly registered capital reached USD 3.21 billion, up 55.5% over the same period last year; the adjusted registered capital increased by USD 4.07 billion, up 93.3%; and the registered capital for capital contribution and share purchase by foreign investors reached USD 1.63 billion, up 102.6%.

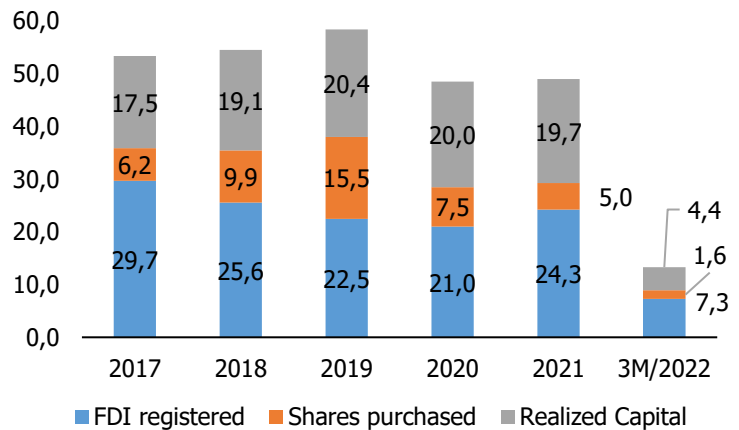
Realized foreign direct investment capital in Vietnam in the first quarter was estimated at USD 4.42 billion, up 7.8% over the same period last year - a high level of realized foreign direct investment the most in the past 5 years. Generally in the first quarter, the total investment capital of Vietnam abroad reached USD 211.5 million, down 63% over the same period last year.

Structure of total investments in Q1.2022



Source: GSO.

Total FDI capital since 20/03/2022 (USD bn)



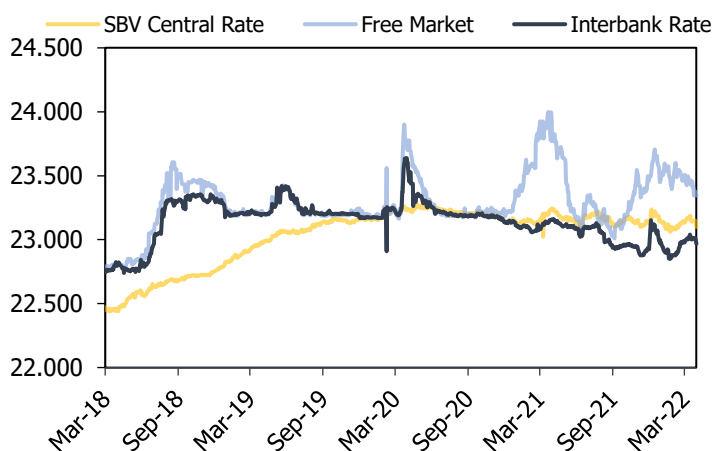
Source: GSO.

Exchange rate

While the value of USD compared to some regional currencies as well as VND tends to fall slightly in the second half of March. The demand for USD in the market has decreased as shown by the USD/VND exchange rate on the free market went down by 130 VND/USD compared to the end of February and is currently trading at 23,345 VND/USD. The central and interbank rates were respectively traded at 23,100 VND/USD, down 40 VND/USD and 22,969 VND/USD, down 12 VND/USD. USD is depreciating against VND following the trend along with other currencies in the region.

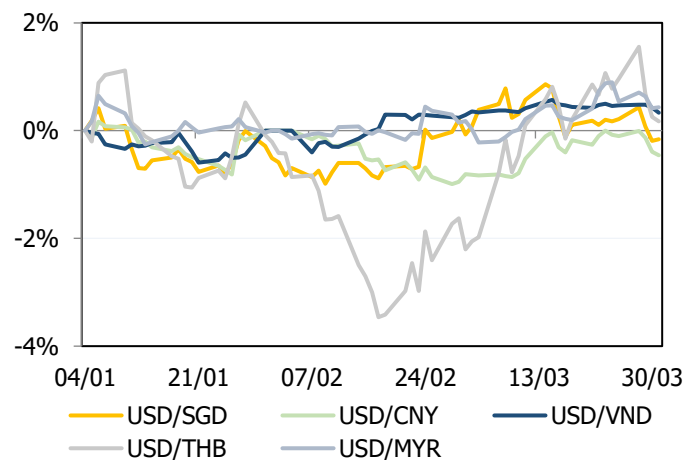
In March, the DXY index recoreded at 98.5. The dollar rose slightly as peace talks between Russia and Ukraine failed to make progress, prompting investors to turn to safe-haven assets. Strong US jobs growth data in March, reinforced market expectations that the Fed will accelerate rate hikes to control inflation. The possibility that the Fed will make two or more large-scale rate hikes in the coming months should add further impetus to the greenback.

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	2021
1. GDP, population & income							
Nominal GDP (USDbn)	193,2	205,3	223,8	245,2	262,4	270,0	277
Real GDP growth (%)	6,7	6,2	6,8	7,1	7,0	2,91	2,51
Exports of goods and services (% yoy)	7,9	9,0	21,8	13,2	8,4	6,5	19,0
Imports of goods and services (% yoy)	12,0	5,6	21,9	11,1	6,8	3,6	26,5
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	2.800
Unemployment rate (%)	2,33	2,33	2,2	2,2	2,2	2,9	3,22
2. Chỉ số tài khóa (%GDP)							
Government debt	49,2	52,7	51,7	50,0	49,2	51,5	39,5
Public debt	61,0	63,7	61,4	58,4	56,1	58,7	43,7
Foreign debt	42,0	44,8	48,9	46,0	45,8	47,0	47,1
3. Các chỉ số tài chính							
USD/VND exchange rate	22.485	22.740	22.690	23.180	23.228	23.115	23.145
Inflation rate (%)	0,6	2,7	3,5	3,5	2,8	3,23	1,94
Credit growth	17,1	18,7	18,2	13,9	13,7	12,1	13,5
12-month lending rate	8,5	8,5	8,5	8,5	8,5	8	7,5
Trade balance (USD million)	-3.759	1.602	1.903	6.795	11.100	19.100	4.080
Goods: Exports (USD million)	162.017	176.581	215.119	243.483	264.200	267.100	336.310
Goods: Imports (USD million)	165.776	174.978	213.215	236.688	253.100	251.000	332.250
Current account (USD million)	-119	5.924	4.676	5.844	5.435	5.266	5.100
Foreign reserve (USD million)	28.616	36.906	49.497	54.491	79.000	100.000	110.000

Source: Bloomberg

PRODUCT

This product covers the latest information about Vietnam macroeconomics. Reports focus on important issues such as inflation, economic growth, trade balance, exchange rate and macro policies. The product also forecasts figures which have impacts on stock market.

MBS RESEARCH CENTER

We offer economic and equity research. The Economic Research Team offers periodic reports on macroeconomics, monetary policies and fixed income markets. The Equity Research Team offers reports on listed firms, private equities and sector reviews. MBS Research Center also offers regular market commentaries - The Investor Daily.

MB SECURITIES (MBS)

Established since May 2000, MBS was one of the first 5 securities firms operating in Vietnam. After years of continuous development, MBS has become one of the leading securities companies in Vietnam, providing a full range of services including: brokerage, research and investment advisory, investment banking and capital markets underwriting. MBS's network of branches and transaction offices has been expanded and operated effectively in many major cities such as Hanoi, Ho Chi Minh City, Hai Phong and other strategic areas. MBS's clients include individual investors and institutions, financial institutions and enterprises. As a member of the MB Group, including MB Bank, MB Land, MB Asset Management, MB Capital and Viet R.E.M.A.X (Viet REM), MBS is able to leverage substantial human, financial and technological resources to provide its clients with tailored products and services that few securities firms in Vietnam can match.

MBS is proud to be recognized as:

- A leading brokerage firm – ranked No.1 in terms of brokerage market share since 2009;
- A renowned research firm with a team of experienced analysts that provides market-leading research products and commentaries on equity markets and the economy; and
- A trusted provider of investment banking services for corporate clients.

MBS HEAD OFFICE

MB Building, 21 Cat Linh, Dong Da, Hanoi

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

Website: www.mbs.com.vn

DISCLAIMER

Copyrights, ALL RIGHTS RESERVED. Authors have based this document on information from sources they believe to be reliable but which they have not independently verified. The views expressed in this report are those of the authors and not necessarily related, by any sense, to those of MBS. Neither any information nor comments were written for advertising purposes or recommendation to buy / sell any securities. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying recording, or otherwise, without the prior written permission of MBS.