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[Tuan.hoangcong@mbs.com.vn](mailto:Tuan.hoangcong@mbs.com.vn)**Vietnam Outlook**

- **The CPI in May 2021 increased by 0.16% compared to April and increased 2.9% over the same period in 2020. The average CPI in the first 5 months of the year increased by 1.29% YoY, the lowest increase since 2016.**
- **Goods export activities reached USD 130.94bn, increased 30.7% over the same period; goods import reached USD 131.31bn, increased 36.4% over the same period in 2020. After 2 consecutive months of trade deficit, Vietnam's trade balance has shifted from export surplus to trade deficit, reaching USD 369mn.**
- **Although factories faced many difficulties or even had to suspend production due to the return of the Covid-19 pandemic, industrial production in May still grew well when the Index of Industrial Production (IIP) increased by 11.6% over the same period. Manufacturing PMI in May fell slightly from the 54.7 level of April to 53.1.**
- **In the first 5 months of the year, investment capital realized from the National budget reached VND 133.4tn, equaling 28.7% of the plan and up 14.2% over the same period last year. Foreign investment capital from the beginning of the year to May 20<sup>th</sup>, 2021 increased by 0.8% over the same period. The average value of newly licensed projects increased by about 2.4 times.**
- **While the dollar value against some regional currencies tends to decrease slightly in the second half of May, the USD/VND exchange rate is forecasted to keep its sideways trend in the short term. The USD/VND exchange rate on the free market decreased by 465 VND/USD compared to April and is currently trading at 23,175 VND/USD.**

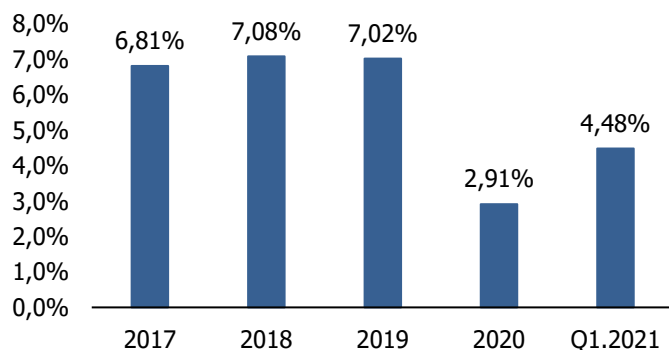
## Economic activity

### Inflation

The consumer price index (CPI) in May 2021 increased by 0.16% MoM after two consecutive months of slight decline. This increase was mainly contributed by the increase in prices of input materials, affecting production costs; the increase in prices of gasoline, following the global market; and the increase in prices of electricity and water, due to consumer demand.

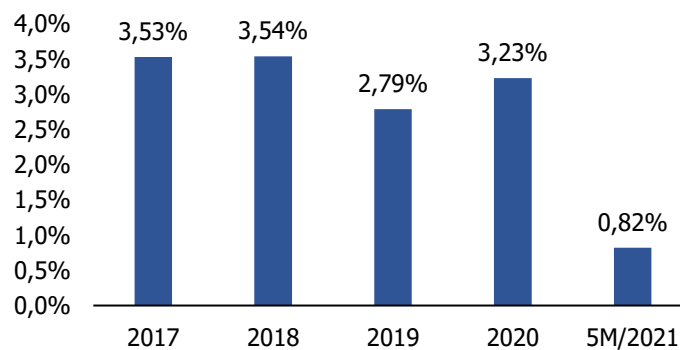
Compared to May 2020, the CPI increased by 2.9% and in the first 5 months of 2021, this index increased by 1.29% over the same period. In which, the price of food and educational services recorded the highest average price increase (+5.75% and +4.47%) due to returning of the Covid-19 pandemic; accompanied by the orders of social distancing, restaurant closures, and school closures in some major cities. Currently, oil prices are increasing over the same period, so inflationary pressure from this group will increase in the upcoming months.

**Vietnam's annual GDP growth**



Source: GSO.

**Vietnam's average inflation rate by year**



Source: GSO.

### Trade activity

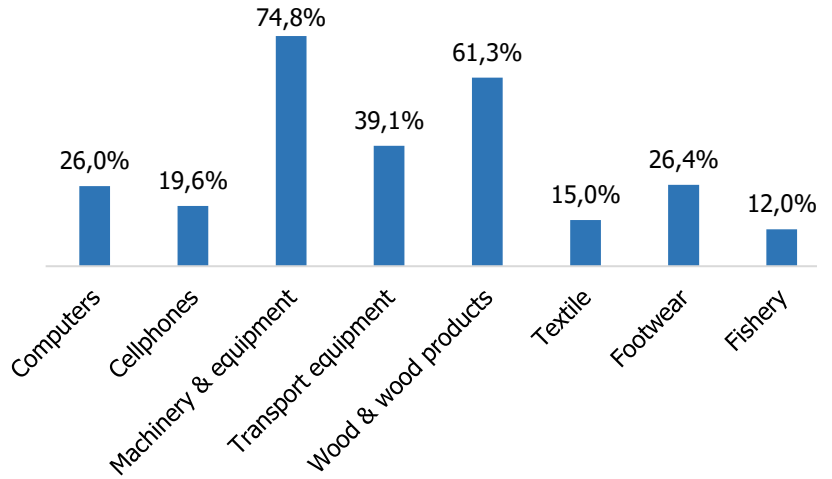
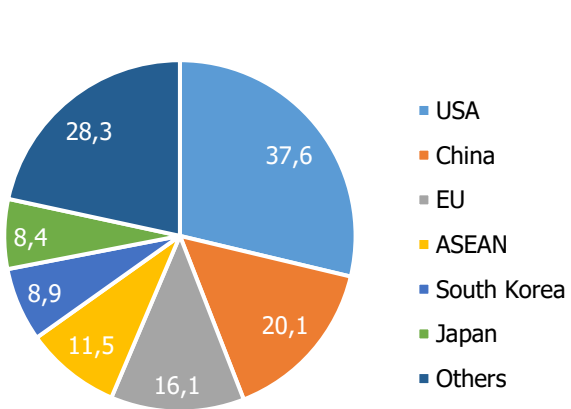
Despite the negative impact due to the complicated developments of the Covid-19 pandemic, the import and export activities in the first 5 months of 2021 are still going well when the turnover is estimated at USD 262.3bn, up 33.2% over the same period in 2020. In which, goods export reached USD 130.94bn, up 30.7% YoY; goods import reached USD 131.31bn, up 36.4% YoY. The trade deficit in the first 5 months is estimated at USD 369mn.

Among export markets, export turnover to the US and China increased the most, reaching 49.8% and 26% respectively over the same period. The ASEAN and Korean markets also recorded impressive increases of 23.7% and 17.1%, respectively.

Regarding the structure of goods export from the beginning of the year to the end of May 2021, the group of heavy industrial goods and minerals was estimated at USD 70.7bn (+33% YoY). The group of light industrial and handicraft products was estimated at USD 47.32bn (+33% YoY). The group of agricultural and forestry products reached USD 9.69bn (+13.5% YoY). The group of fishery products reached USD 3.24bn (+12% YoY).

Regarding the structure of goods import in the first 5 months, the group of capital goods is estimated at USD 123.15bn (+36.8% YoY). The group of machinery, equipment, tools, means of transport, and spare parts reached USD 58.8bn (+33% YoY). The group of raw materials, fuel, and materials reached USD 64.35bn (+40.5% YoY). The consumer goods group was estimated at USD 8.16bn (+29.5% YoY).

## Export market of Vietnam in 2021 YTD (USD bn)    Growth of major export products in 2021 YTD (% YoY)



Source: GSO, Customs.

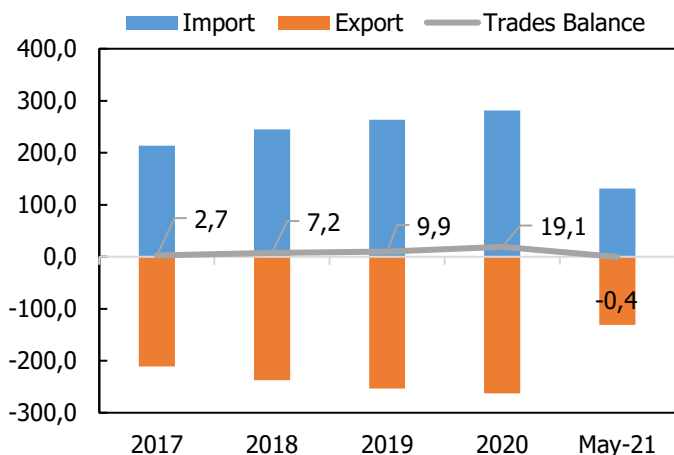
Source: GSO.

### Industrial production

Although factories faced many difficulties or even had to suspend production due to the return of the Covid-19, industrial production in May still grew well. Industrial production in May grew by 1.6% over the previous month and by 11.6% over the same period last year. The Index of Industrial Production (IIP) for the first 5 months increased by 9.9% over the same period.

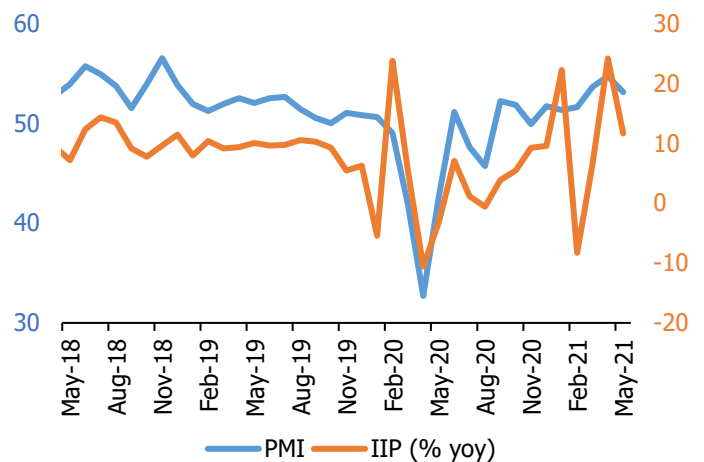
The manufacturing Purchasing Managers' Index (PMI) in May fell from the 54.7 level of April to 53.1 as outputs and new orders slowed down. Although weaker than the previous month, business conditions have improved for 6 consecutive months and are still maintained at a good level. According to IHS Markit, companies are facing a shortage of workers, as the sharp increase in Covid-19 cases caused the recruitment process to slow down. This led to a record number of unfilled work in more than a decade.

### Import and Export Activities of Vietnam (USD bn)



Source: GSO.

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



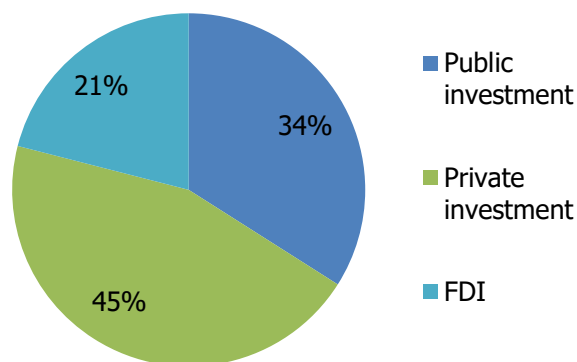
Source: Bloomberg.

## Investment

In the context of the 4th Covid-19 outbreak, government agencies have made efforts to disburse capital for public investment activities with VND 34.2tn (+6.9% YoY) in May 2021. In the first 5 months of the year, investment capital from the State budget disbursement reached VND 133.4tn, equaling 28.7% of the plan and increasing 14.2% over the same period last year.

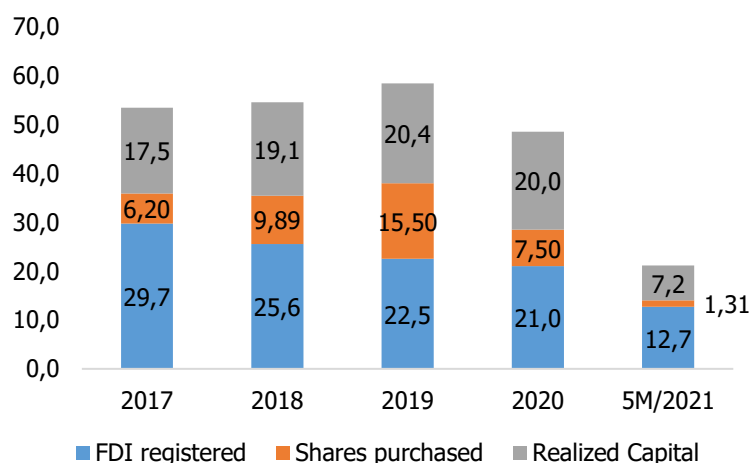
The total foreign investment capital into Vietnam as of May 20, 2021, including newly registered capital, adjusted registered capital, and values of capital contribution, shares purchase by foreign investors reached USD 14bn, up 0.8% over the same period in 2020. Although the Covid-19 pandemic prevented investors from coming to Vietnam, there were only 613 newly-licensed projects, down 49.4% over the same period last year. The amount of re-registered capital increased by 18.6%, reaching USD 8.83bn, showing that the average size of a project has increased by about 2.4 times, from USD 6.1mn/project to USD 14.4mn/project.

Structure of total investments in Q1



Source: GSO.

Total FDI capital since 20/05/2021 (USD bn)



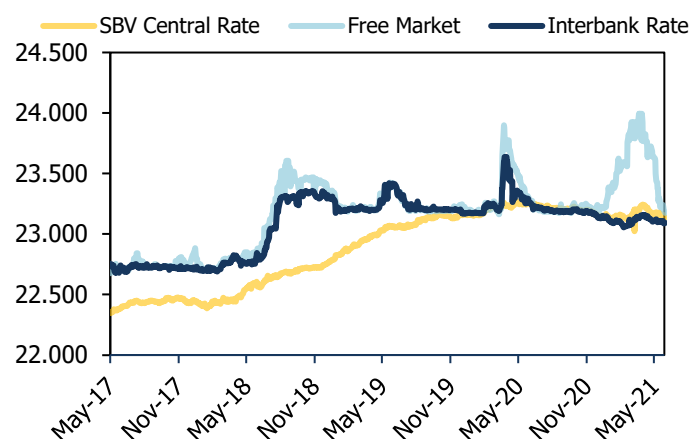
Source: GSO.

## Exchange rate

While the value of USD compared to some regional currencies tends to fall slightly in the second half of May, the USD/VND exchange rate is forecast to keep the trend sideways in the short term. The demand for USD in the market has decreased when the USD/VND exchange rate fell by VND 465 per USD compared to April and is currently trading at 23,175 VND/USD. The central and interbank rates were respectively traded at VND 23,135 per USD, down VND 23 per USD, and VND 23,092 per USD, down VND 14 per USD.

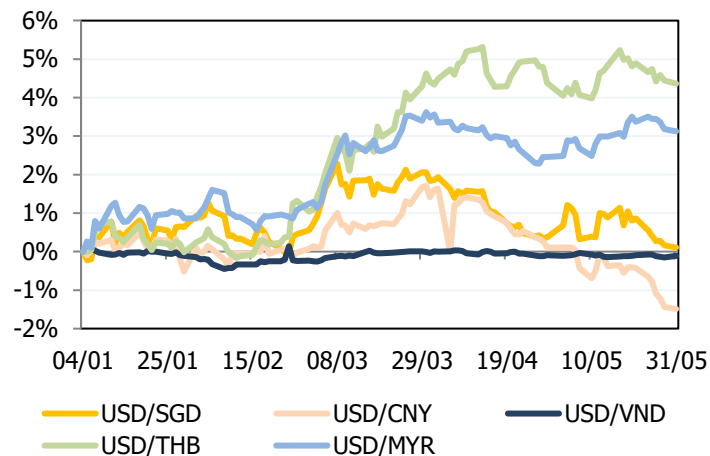
Last May, the DXY index returned to around 89, the dollar was still in a downtrend. The drop came after relatively weak U.S. Non-Farm Employment Change data released in early May. Investors were expecting a significant improvement in these reports following disappointing figures for April. Additionally, US President Joe Biden will propose a USD 6 trillion spending package that would take the United States to its highest sustained levels of federal spending since World War II. Thus, the USD is under great pressure to devalue and the USD/VND exchange rate will decline this year.

## 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
<b>1. GDP, population &amp; income</b>							
Nominal GDP (USDbn)	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
<b>2. Fiscal indicators (%GDP)</b>							
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
<b>3. Financial indicators</b>							
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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