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**Vietnam Outlook**

- **2020 GDP increased 2.91% yoy. Even though the growth rate is the lowest in recent years but during a pandemic year, Vietnam's rate is among the highest in the world. Average inflation for the whole 2020 is 3.23%.**
- **Vietnam's trade performance grew impressively in 2020 with a record net export of USD 19.1bn. Exports turnover grew at 6.5% compared to 2019 level, whereas imports grew 3.6%**
- **Industrial production accelerated in December when the IIP increased by 9.5% yoy. In 2020, IIP grew 3.36% compared to the 2019 level. Manufacturing PMI recovered above 50 after a slight drop last month.**
- **Total disbursed investment in 2020 reached VND 2,164.5tn, a 5.7% increase from 2019 level and equivalent to 34.4% GDP.**
- **The VND keeps its value against the USD during the whole 2020.**

## Economic activity

### Economic growth

GSO estimated that GDP in Q4 increased by 4.48% over the same period last year and GDP for the whole 2020 increased by 2.91%, of which the previous quarters had growth rates of 3.68% 0.39%, 2.69% respectively. Although this growth rate is the lowest in many recent years, with the Covid-19 epidemic having profound effects around the world, Vietnam's economic growth is among the highest in the world.

In Q2, the economy was hit the hardest by Covid-19 when the Government implemented the strong implementation of social distancing measures in the first three weeks of April, affecting all regions of the country. The economy was deeply impacted, especially in the service sector, when business activities were banned except for essential services, leading to a 1.76% decline in the service sector. However, in Q3 and Q4 the economy showed strong signs of recovery when social distancing was applied in a selective way thanks to excellent disease control and stimulus policies, both fiscal and monetary were issued.

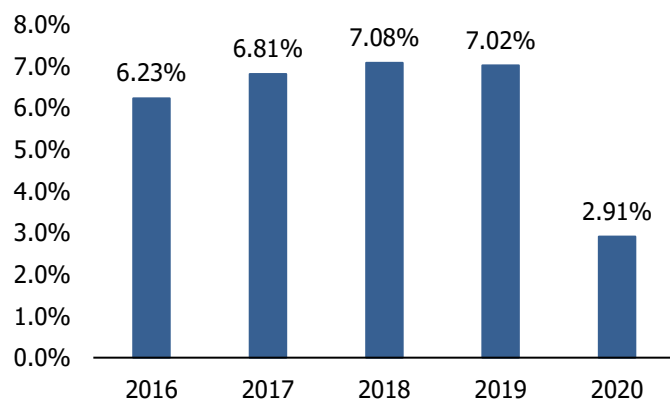
For 2021, Vietnam's macroeconomy is likely to grow positively because Covid-19 vaccination is being deployed around the world, the disease will gradually pass, the negative effects will weaken, helping the export and service sectors recover well. However, the tourism and aviation industries will recover more slowly. We expect Vietnam to open up to people who have vaccinated before entering, likely in the second half of the year.

### Inflation

Inflation maintained at a stable level in 2020 although food prices (specifically pork prices) increased sharply due to scarce supplies impacted by the African swine flu. CPI in December 2020 increased by 0.1% over the previous month and it increased by 0.19% over the same period in 2019. Average CPI in 2020 increased by 3.23% compared to that in 2019.

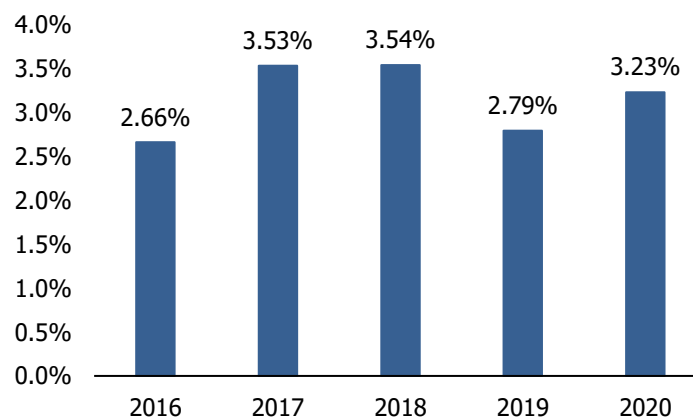
Although there are a number of factors that put pressure on inflation in 2021 such as the movement of food prices and gasoline prices, the current rise of many basic commodities in the world and low interest rate environment, we still expect inflation in 2021 to be stable due to the consistent monetary 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

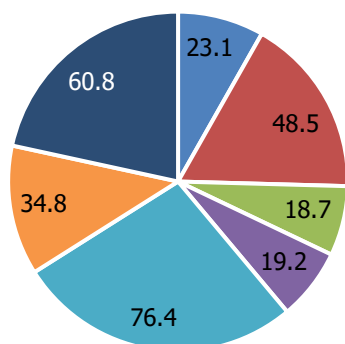
Import and export activities have been progressing well in the midst of the Covid-19 pandemic impacting domestic economy as well as the global. Total import and export turnover in 2020 was estimated at USD 543.9bn, up 5.1% over the previous year, of which export turnover reached USD 281.5bn, up 6.5%; import turnover reached USD 262.4bn, up 3.6%. The balance of trade in goods in 2020 is estimated at 19.1 billion USD, the highest ever value.

In the export segment, the FDI sector dominated with the turnover of USD 203.3bn (including crude oil), up 9.7%, accounting for 72.2% of the total export turnover while the domestic economic sector only reached USD 78.2bn, down 1.1%, accounting for 27.8%.

The main export products with good growth this year in Vietnam include electronics, computers (+24.4% yoy), machinery (+47.8% yoy), wood and wooden products (+15.7% yoy). However, Covid-19 impact caused exports in some sectors that utilised a large number of employees such as textile (-10.2% yoy), footwear (-9.6% yoy) reduce due to weakened demands from developed markets.

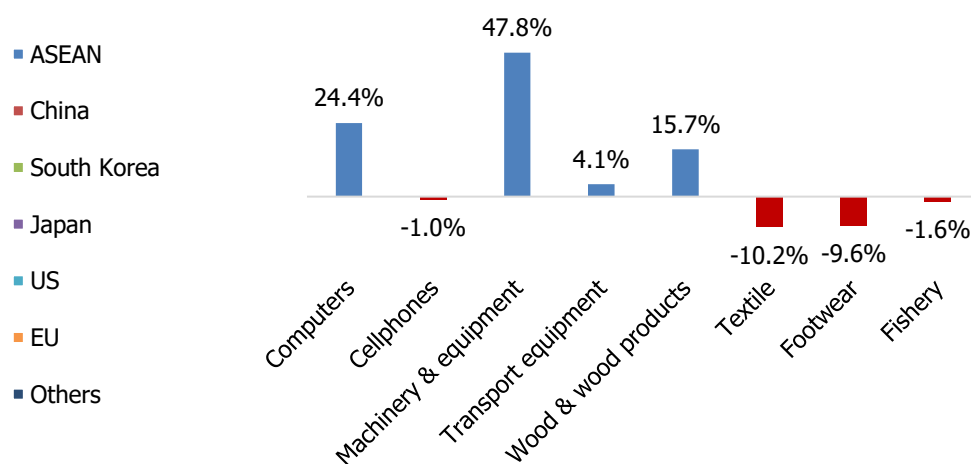
Import turnover increased by 3.6% but mainly came from the growth of the manufacturing materials. The turnover of this group is estimated at USD 245.6bn, (+4.1% yoy), including machinery, tools, transportation and spare parts reaching USD 134.8bn, (+16.3% yoy); and raw materials, fuel and materials reached USD 110.8bn, (-7.7% yoy). Meanwhile, consumer goods are estimated at USD 16.8bn, (-3.8% yoy).

Export market of Vietnam in 2020 (USDbn)



Source: GSO, Customs.

Growth of major export products in 2020 (% yoy)



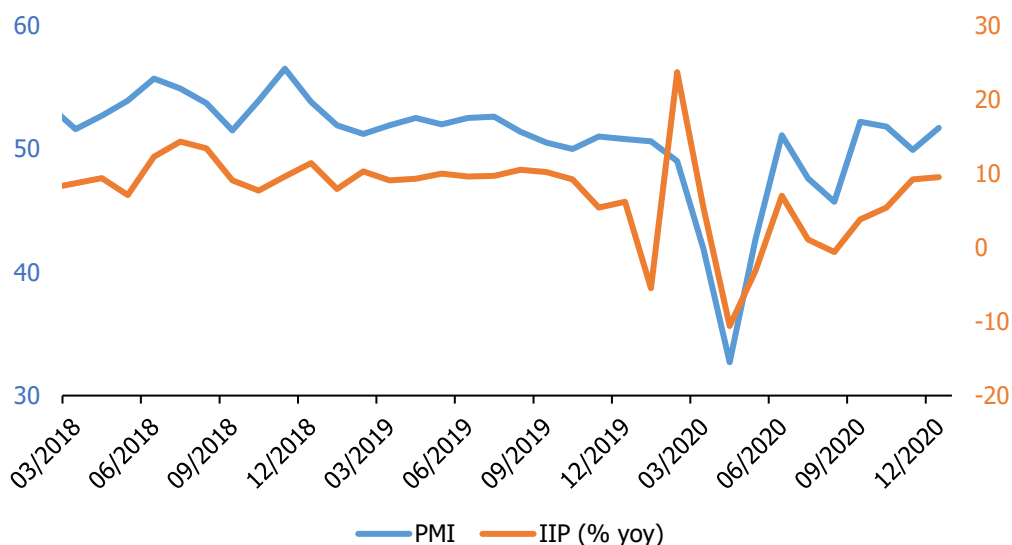
Source: GSO.

## Industrial production

Industrial production continued to increase in December when the index of industrial production (IIP) increased by 9.5%, and the IIP for Q4 increased by 4.8% over the same period last year. Generally in the whole 2020, the added value of the whole industry increased by 3.36% compared to 2019, of which the processing and manufacturing industry increased by 5.82%, the electricity production and distribution industry increases by 3, 92%, while the mining industry decreased by 5.62% (due to the decrease in crude oil production by 12.6% and natural gas by 11.5%).

Manufacturing PMI after a November of falling slightly below the 50 threshold to 49.9 due to the impact of natural disasters in the Central region, it recovered in December to 51.7. We expect that when the global economy recovers in 2021, the demand for exports increases, leading to a further growth in production.

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



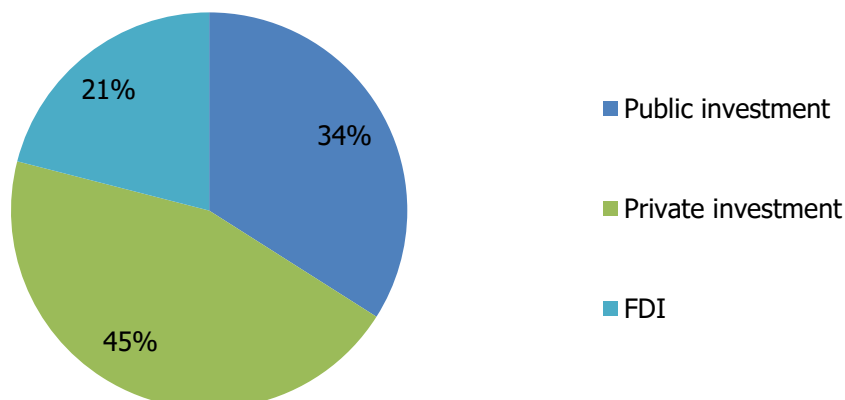
Source: Bloomberg.

### Investment

Realized social investment capital in 2020 will reach 2,164.5 trillion VND, an increase of 5.7% compared to 2019 and equal to 34.4% of GDP. The growth rate of 5.7% is the lowest level in the period 2011-2020 due to the negative influence of Covid-19 epidemic on all business activities. However, the growth rate of disbursed capital from the State sector this year reached 14.5% yoy, the highest rate in the same period, thanks to the accelerated disbursement of public investment capital to stimulate economic growth.

The Covid-19 pandemic made it difficult for international investors to come to Vietnam to carry out investment procedures, and slowed the investment progress in the past year. Total foreign investment capital in Vietnam as of December 20, 2020, including newly registered capital, adjusted registered capital and indirect investments reached USD 28.5bn, down 25% compared to 2019. However, disbursement still remained the same level with the disbursed FDI capital estimated at nearly USD 20bn, down 1% over the same period last year.

## Structure of total investments



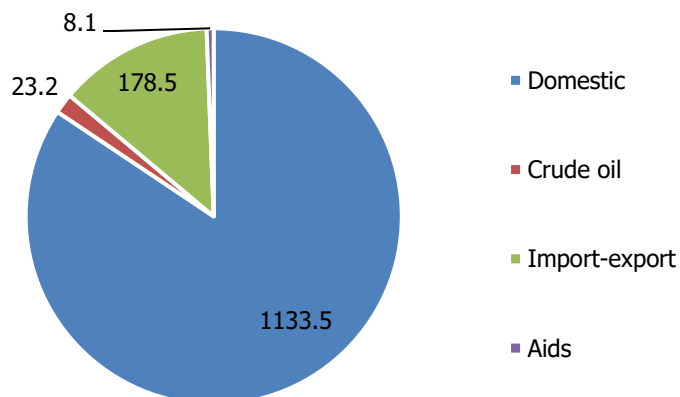
Source: GSO

## Policy

Total state budget revenue from the beginning of the year to December 15, 2020 was estimated at VND 1,307.4tn, equaling 86.5% of the yearly estimate. Total expenditure for the same period was estimated at VND 1,432.5tn, equal to 82% of the yearly estimate. In the past year, budget revenue has decreased significantly due to the impact of the Covid-19 epidemic on the economy and businesses, while expenditures have to increase to support people struggling with epidemics and natural disasters and in addition, public investment disbursement to support economic growth also accelerated.

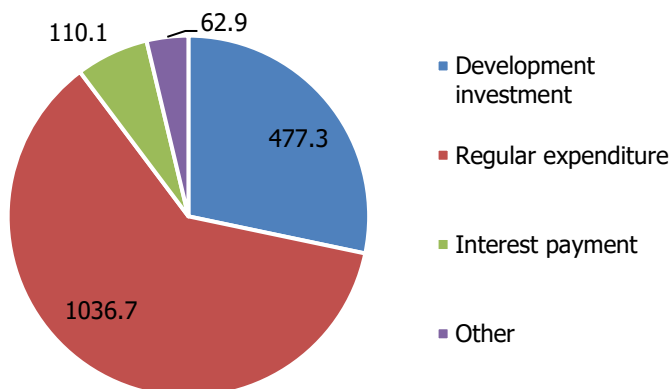
The 2021 state budget estimate was approved by the National Assembly. Accordingly, estimated total revenue is VND 1,343tn and total expenditure is estimated at VND 1,687tn. The overspending level is VND 344tn, equivalent to 4% of GDP. Since the year 2021, the global economy is still in the post-Covid-19 recovery period, the demand for oil cannot return to pre-pandemic levels, so the revenue from crude oil is expected to decline by nearly 29% (based on base production about 8 million tons, average price about USD 45/barrel). Meanwhile, the budget expenditure plan also decreases, mainly in the interest payment department because government bonds were recently issued with longer maturities and low yields, reducing interest payment pressure.

## State budget 2021 revenue estimates



Source: MoF.

## State budget 2021 expenditure estimates



Source: MoF.

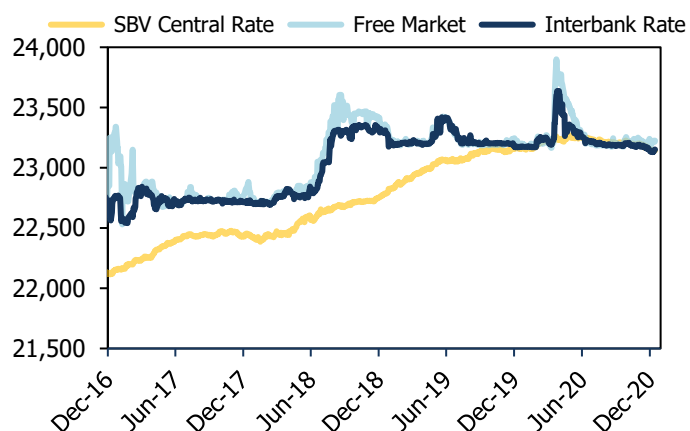
## Exchange rate

### VND keeps its value against USD.

The central USD/VND exchange rate ends 2020 at VND 23,131 per USD, down VND 24 per USD compared to the end of November. The interbank rate dropped about VND 33 per USD to VND 23,115 per USD. Meanwhile, rising demand for foreign currencies in public led to a sharp increase of VND 120 per USD to VND 23,360 per USD. In the whole of 2020, the VND remain relatively stable compared to the USD.

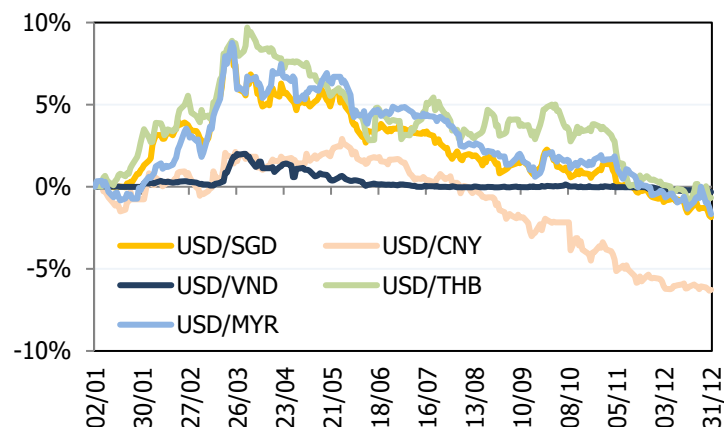
Quantitative easing measures by the Fed has weakened the USD against major currencies and the trend may continue for the next few years. Compared to other regional currencies, VND remained the most stable currency against the USD and the positive conditions like healthy net exports, high foreign reserves, 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	2014	2015	2016	2017	2018	2019	2020
<b>1. GDP, population &amp; income</b>							
Nominal GDP (USD billion)	186,2	193,2	205,3	223,8	245,2	262,4	270,0
Real GDP growth (%)	6,0	6,7	6,2	6,8	7,1	7,0	2,91
Exports of goods and services (% yoy)	13,8	7,9	9,0	21,8	13,2	8,4	6,5
Imports of goods and services (% yoy)	12,0	12,0	5,6	21,9	11,1	6,8	3,6
Population (mn people)	91,7	92,7	93,6	94,6	95,5	97,3	97,3
GDP per capita (USD)	2.047	2.086	2.172	2.353	2.551	2.740	2.750
Unemployment rate (%)	2,1	2,33	2,33	2,2	2,2	2,2	2,9
<b>2. Fiscal indicators (%GDP)</b>							
Government debt	46,4	49,2	52,7	51,7	50	51,5	51,5
Public debt	58	61	63,7	61,4	58,7	56,1	58,3
Foreign debt	38,3	42	44,8	48,9	46	47,0	47,0
<b>3. Financial indicators</b>							
USD/VND exchange rate	21.373	22.485	22.740	22.690	23.180	23.115	23.351

Inflation rate (%)	4,1	0,6	2,7	3,5	3,5	3,23	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	8
Trade balance (USD million)	2.368	-3.759	1.602	1.903	6.795	11.100	19.100
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	251.000	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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