

Anh Nguyen, CFA

Analyst

Anh2.NguyenDuc@mbs.com.vn**Tuan Hoang**

Head of Macro

Tuan.hoangcong@mbs.com.vn**Vietnam Outlook**

- **Inflation in April 2021 continued to decrease slightly compared to the previous month. CPI decreased by 0.27% compared to February and increased 2.7% over the same period in 2020. Average CPI in 4M/2021 only increased by 0.89% YoY, indicating low inflationary pressure.**
- **In April, Vietnam was estimated to have a trade deficit of USD 1.5bn. In 4M2021, the trade surplus of goods was estimated at USD 1.29bn. Export turnover to the US and China increased by 50% and 32% respectively compared to 4M2020.**
- **Industrial production continued to grow when the index of industrial production (IIP) increased by 24.1% over the same period. Manufacturing PMI increased from 53.6 to 54.7, the highest level since November 2018, due to the rapid increase in orders.**
- **In April, the disbursement of public investment capital improved when it reached VND 30.4tn (+ 23.9% YoY). Disbursed investment capital from the State budget in the first four months of the year reached VND 98.7tn, achieving 21.5% of the year plan.**
- **Decree 52 extending the deadline for paying VAT, CIT, and land rent from 4-6 months will help businesses have more short-term cash flows, supplementing their production and business activities.**
- **USD/VND rate decreased due to a drop in the USD thanks to loosening policies from the US.**

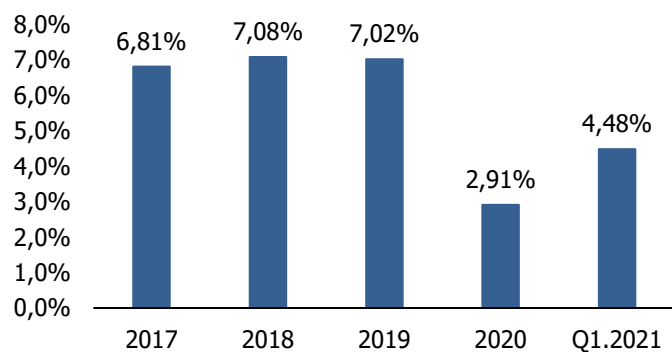
Economic activity

Inflation

The consumer price index (CPI) in April continued to decrease by 0.04% MoM after falling 0.27% in March. Prices of each group did not change much compared to March. Since the beginning of the year, the Transportation group has the strongest price increase of more than 7%, mainly due to the increase in gasoline prices according to changes in world oil prices.

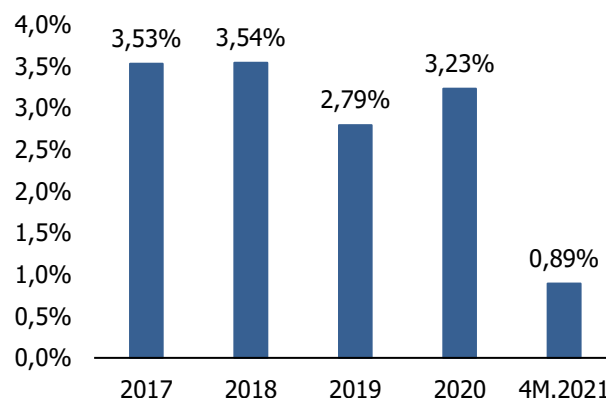
Compared to April 2020, CPI has increased by 2.7% because the country was implementing social distancing 1 year ago. On average, in 4M, this index increased by 0.89% over the same period. In particular, the educational services group recorded the largest average price increase (+4.08%) because many universities increased tuition fees after switching to the self-sustaining model. Recently, the price of construction materials has increased significantly due to the global shortage. The price index of Housing and construction materials group increased by 2.78% compared to April 2020. However, this group does not account for too high a proportion in the CPI basket, so the inflationary pressure coming from this group is not too much.

Vietnam's annual GDP growth



Source: GSO.

Vietnam's average annual inflation rate



Source: GSO.

Trade activity

In April, Vietnam net imported USD 1.5bn. In the first four months, export turnover is USD 103.9bn (+28% YoY); imports reached USD 102.61bn, (+30.8% YoY). It is estimated that the trade surplus in 4M was USD 1.29bn.

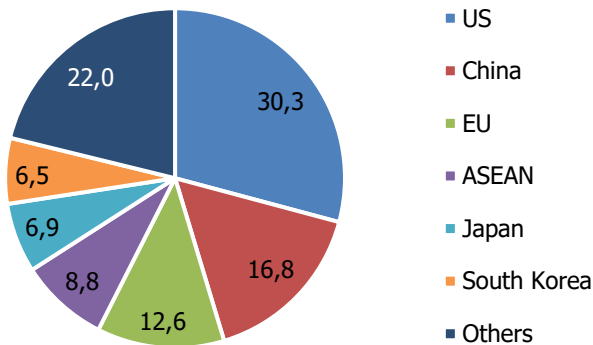
Among export markets, 4M exports to the US increased by 50% and exports to China increased over 32% compared to the same period. The EU market also recorded an impressive increase of 18% YoY after the EVFTA agreement was signed in mid-2020.

Regarding the composition of export goods in the quarter, the heavy industry and minerals group was estimated at USD 57.6bn (+33% YoY). Light industry and handicraft products were estimated at USD 36.6bn (+27.5% YoY). The group of agricultural and forestry products reached USD 7.3bn (+8.8% YoY) and fishery products reached USD 2.4bn (+6.1% YoY).

Regarding the composition of import goods in quarter 1, imports of materials for production were estimated at USD 96.3bn (+26.8% YoY) and accounted for 93.9% of the total imports. Consumer goods were estimated at USD 6.3bn (+22.5% YoY) and accounted for just 6.1%.

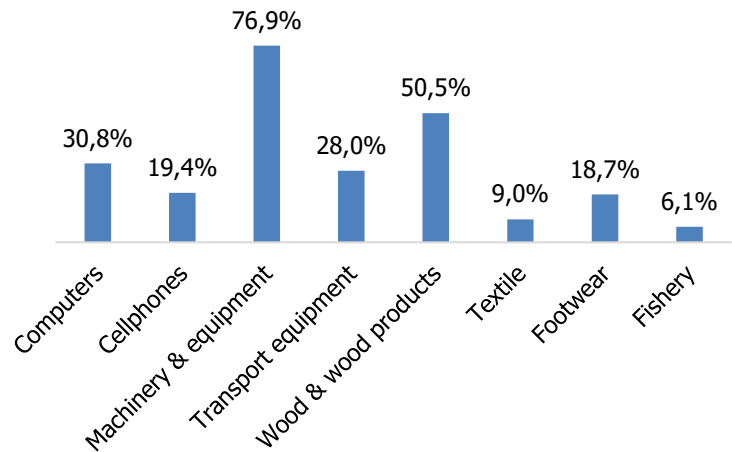
Retail activity also experienced a surge (+10% YoY) because of the social distancing implementation in April 2021.

Export market of Vietnam in 2021 YTD (USDbn)



Source: GSO, Customs.

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



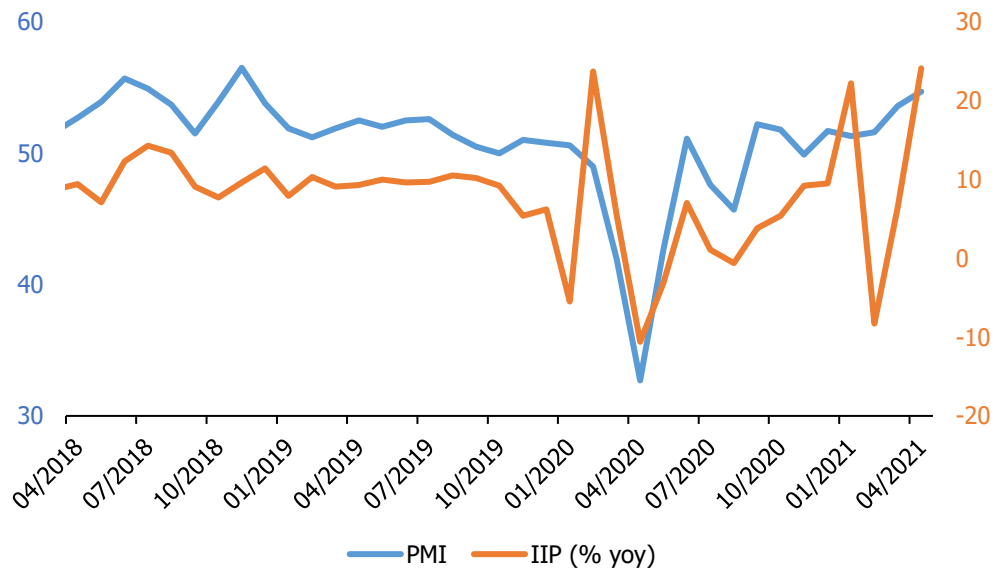
Source: GSO.

Industrial production

Industrial production in April increased by 1.1% over the previous month and by 24.1% over the same period in 2020. Industrial production index (IIP) 4M/2021 increased by 10% over the same period last year, of which manufacturing increased by 12.7%.

The Purchasing Management Index (PMI) for the manufacturing sector in April rose from 53.6 points in March to 54.7 points as production and new orders grew at a faster rate. Business conditions have improved at the best rate since November 2018. Companies have recruited more workers for the third month in a row to meet new orders. IHS Markit said input costs continued to increase, leading to the sharpest increase in selling prices in nearly a decade. However, there are some signs that the disruption in supply has started to ease.

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



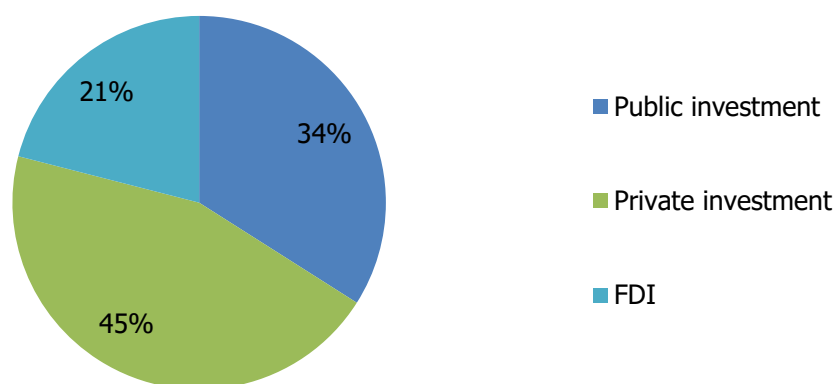
Source: Bloomberg.

Investment

April was when Vietnam controlled the pandemic really well, which provided the opportunity for authorities to use State investment budget with VND 30.4tn disbursed (+23.9% YoY), 6.6% of the annual plan. In 4M, disbursement from the State budget reached VND 98.7tn, equivalent to 21.5% of annual plan and a 16.3% YoY increase.

Total foreign investment capital in Vietnam as of April 20, 2021 including newly registered capital, adjust registered capital and value of capital contribution, share purchase of foreign investors reached USD 12.25bn, down 0.7% over the same period in 2020 but the FDI disbursed is estimated at USD 5.5bn (+6.8% YoY). The number of new projects in 2021 is only 451, down 54% in quantities but up 24.7% in capital.

Structure of total investments Q1.2021



Source: GSO

Policies

Although many Western countries have deployed the vaccine quite quickly, the Covid-19 epidemic is still raging in many Asian countries. Therefore, business activities of many Vietnamese enterprises are still facing many difficulties. In order to provide timely support to businesses, the Government has issued Decree No. 52 extending the time limit for payment of value added tax, corporate income tax, personal income tax and land rental in 2021. Accordingly, the deadline for paying VAT is delayed for 4-6 months, corporate income tax is postponed for 3 months, and land rental is delayed for 6 months. The deferred tax payment will help increase short-term cash flow for businesses, promoting production and business activities in the coming period.

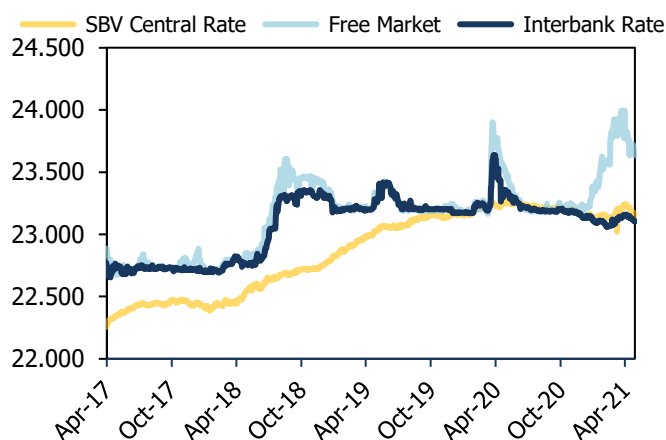
Exchange rate

In April, DXY index decreased from 93 to around 90. The USD/VND exchange rate thus gradually cooled down. Compared to the end of March, the USD/VND exchange rate on the free market decreased by nearly VND 300 per USD and is currently trading at VND 23,640 per USD. The central and interbank rates were respectively traded at VND 23,158 per USD, down VND 86 per USD and VND 23,106 per USD, down VND 49 per USD. Compared to other currencies in the region, the exchange rate of VND to USD remained at the most stable level.

Although the inflationary pressure in the US is heating up due to the faster-than-expected economic recovery, the Fed has committed to maintaining an easing monetary policy until the economy really achieves solid growth and targets inflation average at 2%. In addition, the administration of President Joe Biden has been and is constantly proposing spending packages

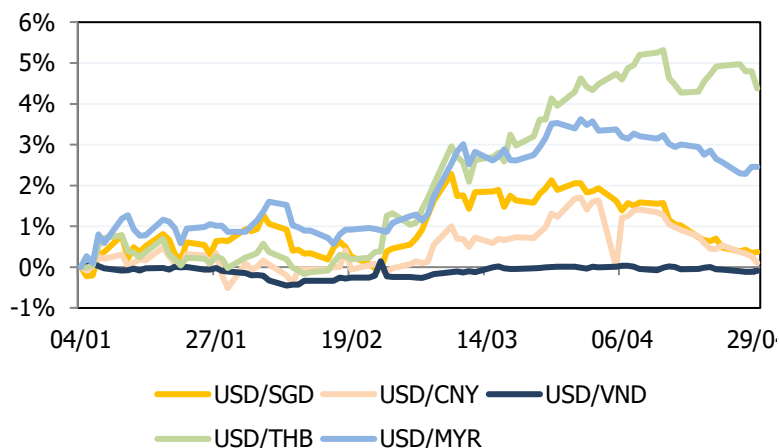
worth several trillion dollars. Thus, the USD is under much pressure to devalue and the USD/VND exchange rate will decline this year.

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
1. GDP, population & income							
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
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.

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.