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[Hoang.NguyenTrong@mbs.com.vn](mailto:Hoang.NguyenTrong@mbs.com.vn)**Vietnam Outlook**

- The third quarter of 2021 is expected to see a 6.17 percent drop in GDP compared to the same quarter last year, the worst drop since Vietnam has computed and released quarterly GDP. Agriculture, forestry, and fishing climbed by 1.04 percent, while industry and construction fell by 5.02 percent and the service sector fell by 9.28 percent.
- In September 2021, the consumer price index (CPI) declined by 0.62 percent from the previous month, increased by 1.88 percent from 12/2020, and increased by 2.06 percent from 2020. CPI climbed by 0.93 percent in the third quarter of 2021 compared to the previous quarter and by 2.51 percent compared to the same time in 2020. In comparison to the same time in 2020, the average CPI for 9 months in 2021 climbed by 1.82 percent.
- Import and export activity declined by 2.0 percent in September compared to August as a result of the Covid-19 pandemic. In September 2021, total goods import and export turnover was anticipated to reach USD 53.5 billion, up 4.2 percent from the same time the previous year.
- In the first nine months of 2021, the added value of the entire industry is expected to rise by 4.45% over the same time last year (increased by 6.29 percent in the first quarter; rose by 11.18 percent in the second quarter; decreased by 3.5 percent in the third quarter).
- As of September 20, 2021, the total number of newly registered foreign investment projects had declined by 37.8% compared to the same time in 2020, although the registered capital had climbed by 20.6 percent. In the first nine months of 2021, the average newly registered capital of a project was 10.3 million USD/project (compared to USD 5.3 million/project in the same time previous year).
- The USD/VND exchange rate in September did not have much fluctuation. Compared to the end of August, the USD/VND exchange rate on the free market went up by VND 125 per USD and is currently trading at 23,155 VND/USD. The central and interbank rates were respectively traded at VND 23,162 per USD, up VND 32 per USD and VND 22,962 per USD, up VND 5 per USD.

## Economic activity

### Economic Growth

The third quarter of 2021 is expected to see a 6.17 percent drop in GDP compared to the same quarter last year, the worst drop since Vietnam has computed and released quarterly GDP. Agriculture, forestry, and fishing climbed by 1.04 percent, while industry and construction fell by 5.02 percent and the service sector fell by 9.28 percent. Final consumption declined by 2.83 percent in the third quarter of 2021 compared to the same time the previous year; accumulated assets climbed by 1.61 percent; exports of goods and services increased by 2.51 percent; imports of goods and services increased by 10.75 percent.

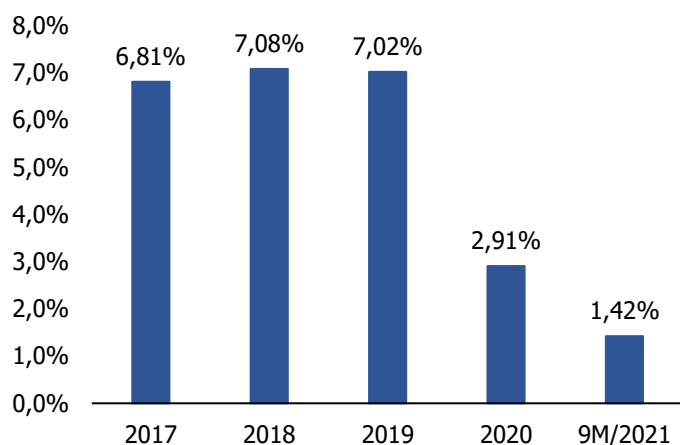
Due to the Covid-19 outbreak, which affected all sectors of the economy and forced several major economic areas to impose social distance for a long time to prevent sickness, GDP rose by just 1.42 percent in the first nine months of 2021 compared to the same period previous year. During the pandemic, the agriculture, forestry, and fishery sectors have served as a pillar of the economy; rice productivity has increased, livestock production has steadily increased, and the export turnover of some agricultural products in the first nine months of 2021 has been quite good compared to the same period last year. The agriculture sector grew by 3.32 percent, giving 0.31 percentage points to the overall economy's growth rate; the forestry sector grew by 3.3 percent, contributing 0.02 percentage points; and the fisheries sector grew by 0.66 percent, contributing 0.02 percentage points.

### Inflation

Rent prices fall during the implementation of social distancing; tuition fees for the academic year 2021-2022 are free and reduced in some localities; discount performance guaranteed supplies; implementing the Decision No. 83/NQ-CP dated July 31, 2021 of the Government on the method of supporting electricity price reduction, the 4th phase of electricity bill reduction for customers affected by Covid-19 services is the main reasons for fluctuations of CPI in September 2021.

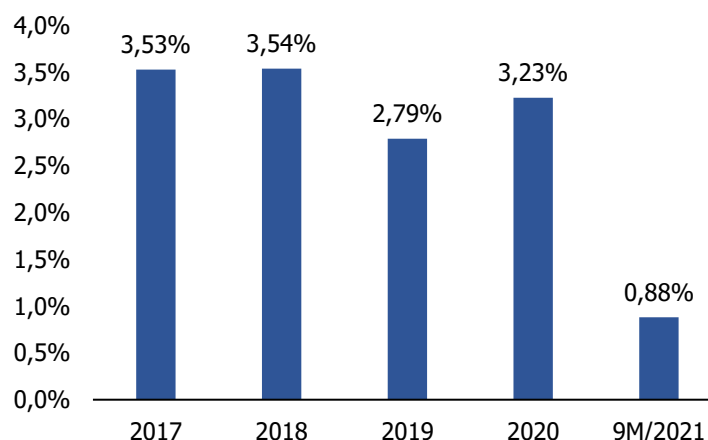
In September 2021, the consumer price index (CPI) declined by 0.62 percent from the previous month, increased by 1.88 percent from 12/2020, and increased by 2.06 percent from 2020. CPI climbed by 0.93 percent in the third quarter of 2021 compared to the previous quarter and by 2.51 percent compared to the same time in 2020. In comparison to the same time in 2020, the average CPI for 9 months in 2021 climbed by 1.82 percent. In September 2021, core inflation declined by 0.26 percent compared to the previous month, but climbed by 0.74 percent over the same time the previous year. In the first nine months of 2021, average core inflation grew by 0.88 percent over the period in 2020.

**Vietnam's annual GDP growth**



Source: GSO.

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



Source: GSO.

## Trade activity

Import and export activity declined by 2.0 percent in September compared to August as a result of the Covid-19 pandemic. In September 2021, total goods import and export turnover was anticipated to reach USD 53.5 billion, up 4.2 percent from the same time the previous year. Overall, the overall import and export turnover of products climbed by 24.4 percent in the first nine months of this year, reaching USD 483.17 billion, compared to the same time last year, with exports increasing by 18.8 percent and imports increasing by 30.5 percent.

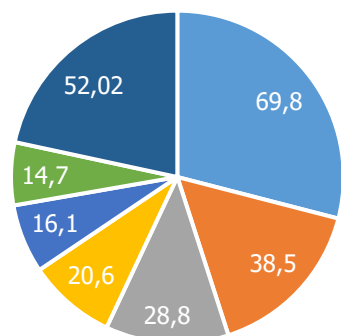
In terms of the structure of export commodity groups in the first nine months of 2021, the group of fuels and minerals was valued at USD 2.66 billion, up 9 percent over the same period the previous year. The processing business was valued at USD 214 billion, an increase of 19.5 percent. Agricultural and forestry goods increased by 17.6 percent to USD 17.7 billion. The total value of fisheries goods increased by 2.4 percent to USD 6.17 billion.

In terms of the structure of imported products in the first nine months of 2021, the group of input materials was valued at USD 227.65 billion, rising 31.1 percent from the previous year's same period and accounting for 93.8 percent of total import turnover. The consumer products sector was valued at USD 15 billion, up 22.4 percent, and contributed for 6.2 percent of the total.

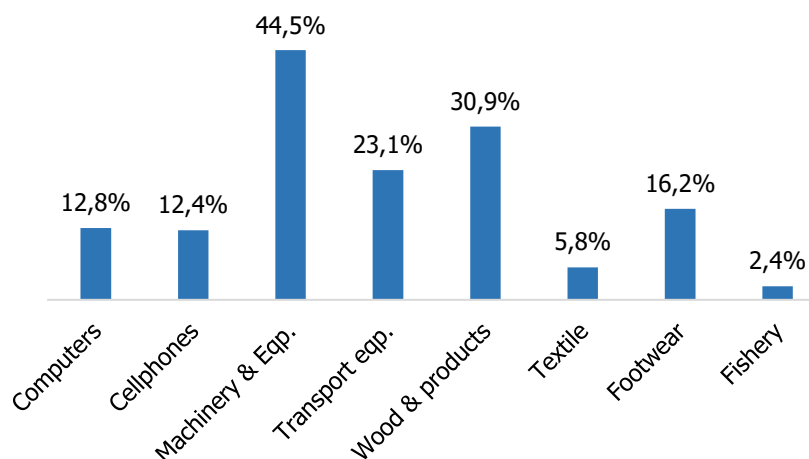
In terms of the export commodity market, the United States was Viet Nam's largest export market in the first nine months of 2021, with a turnover of USD 69.8 billion, up 27.6 percent from the same period previous year; China was second, with USD 38.5 billion, up 18.3 percent. The EU market increased by 16.6 percent to USD 28.8 billion, while the ASEAN market increased by 21.2 percent to USD 20.6 billion dollar. South Korea had USD 16.1 billion, up 11.4 percent, while Japan had USD 14.7 billion, up 5.1 percent.

The trade balance of goods in August 2021 was USD 110 million USD; the trade deficit for the first eight months was USD 2.63 billion; the trade surplus for September 2021 was USD 0.5 billion; the trade deficit for the first nine months of 2021 was USD 2.13 billion (the same period last year saw a trade surplus of USD 16.66 billion), of which the domestic economic sector saw a trade deficit of USD billion; the FDI sector (including crude oil) saw a trade surplus of USD 18.87 billion.

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



- USA
- China
- EU
- ASEAN
- South Korea
- Japan
- Others



Source: GSO, Customs.

Source: GSO.

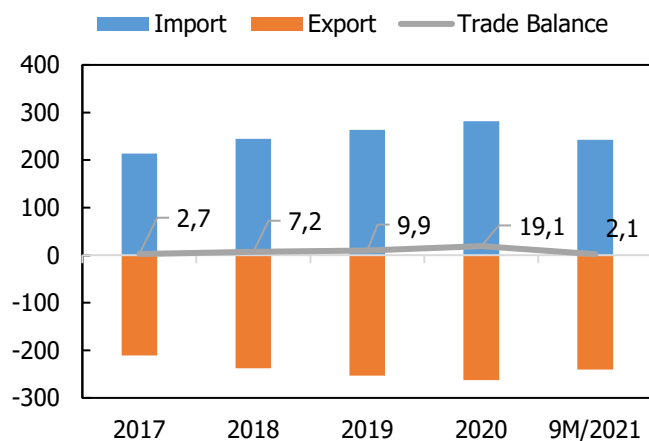
### Industrial production

Due to the ongoing Covid-19 epidemic, industrial production in the third quarter of 2021 experienced several challenges, particularly in areas with big industrial zones that had to apply protracted social isolation. In the third quarter of 2021, industry added value fell by 3.5 percent compared to the same time the previous year. Overall, the industry's added value climbed by 4.45 percent in the first nine months of 2021 compared to the same time in 2020.

In the first nine months of 2021, the added value of the entire industry is expected to rise by 4.45% over the same time last year (increased by 6.29 percent in the first quarter; rose by 11.18 percent in the second quarter; decreased by 3.5 percent in the third quarter). Manufacturing rose by 6.05 percent (up 8.9 percent in the first quarter, 13.35 percent in the second quarter, and 3.24 percent in the third quarter); mining declined by 7.17 percent owing to a 6 percent loss in extracted crude oil output and a 17.6 percent drop in natural gas.

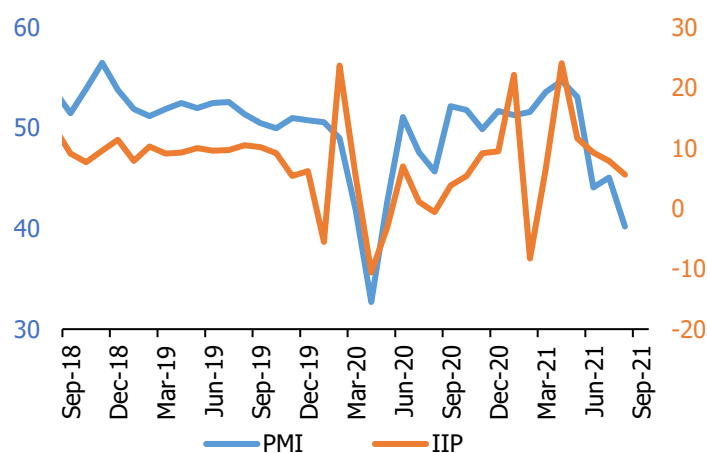
In September 2021, the manufacturing consumption index climbed by 12.4 percent over the previous month and declined by 11.2 percent over the same time the previous year. In general, the manufacturing industry's consumption index climbed by 2.8 percent in 9 months compared to the same time previous year.

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



Source: GSO.

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



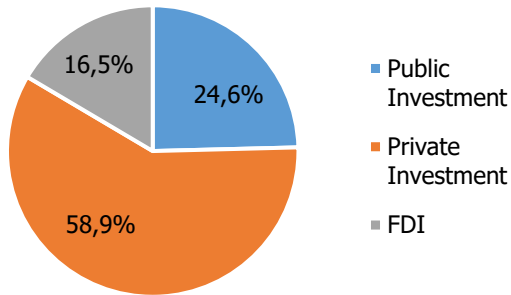
Source: Bloomberg.

## Investment

Due to social distancing in many regions, which disrupts production and supply chains of business and investment activities, realized investment at current prices rose only by 0.4 percent in the first nine months of 2021 compared to the same time in 2020. As of September 20, 2021, the total number of newly registered foreign investment projects had declined by 37.8% compared to the same time in 2020, although the registered capital had climbed by 20.6 percent. In the first nine months of 2021, the average newly registered capital of a project was 10.3 million USD/project (compared to USD 5.3 million/project in the same time previous year).

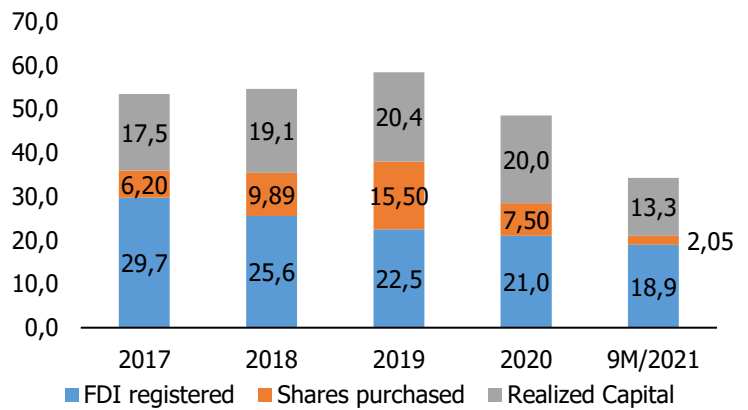
From the beginning of the year to September 20th, 2021, the registered capital of foreign investment in Vietnam increased by 4.4 percent, to USD 22.15 billion, including newly registered capital and adjusted registered capital, and the total value of capital contribution and share purchases by foreign investors increased by 4.4 percent, compared to the same period in 2020. In comparison to the same time last year, newly registered capital includes 1,212 newly licensed projects with a registered capital of USD 12.5 billion, a decline of 37.8 percent in the number of projects and an increase of 20.6 percent in registered capital; adjust registered capital included 678 turns of projects that were licensed in previous years registered to adjust investment capital with an additional capital of USD 6.43 billion, up 25.6 percent from the same period last year; capital contribution and share purchases of foreign investors included 2,830 turns with a total value of USD 3.22 billion, down 43.8 percent from the same period last year. There were 1,139 turns of capital contribution and share purchase, resulting in an increase in the enterprise's charter capital of 2.05 billion dollars, and 1,691 turns of foreign investors repurchasing domestic shares without raising the charter capital of 1.17 billion dollars. Foreign direct investment capital implemented in the first nine months of the year totaled USD 13.28 billion, down 3.5 percent from the same time the previous year.

## Structure of total investments in 3Q2021



Source: GSO.

## Total FDI capital since 20/09/2021 (USD bn)

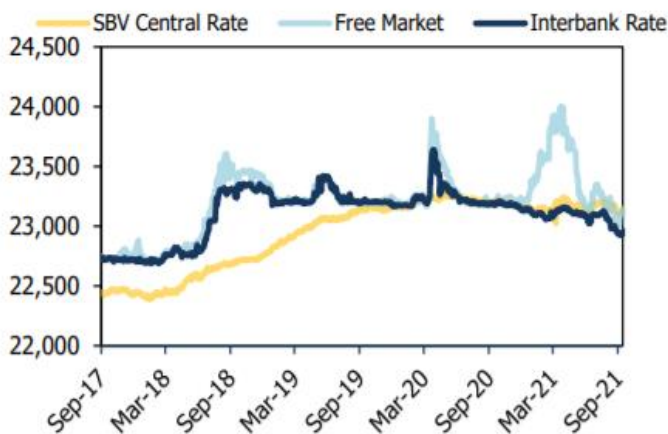


Source: GSO.

## Exchange rate

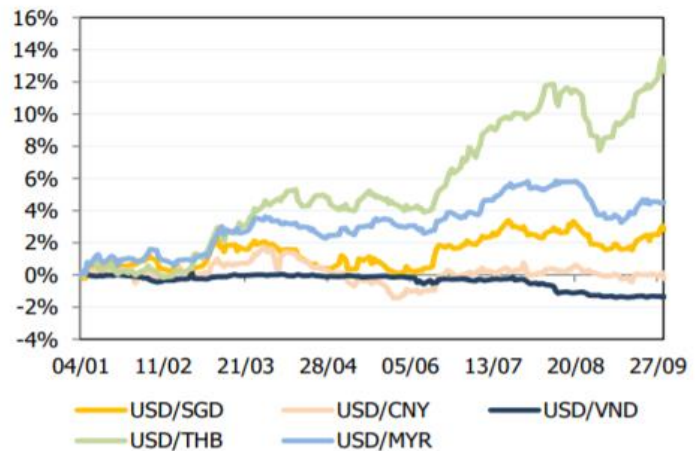
The USD/VND exchange rate in September did not have much fluctuation. Compared to the end of August, the USD/VND exchange rate on the free market went up by VND 125 per USD and is currently trading at 23,155 VND/USD. The central and interbank rates were respectively traded at VND 23,162 per USD, up VND 32 per USD and VND 22,962 per USD, up VND 5 per USD. Since the beginning of the year, while the value of USD compared to some regional currencies tends to increase, the exchange rate of VND to USD remained at the most stable level. Last September, the DXY index rose above 94.3, hitting a one-year high on growing expectations that the Fed will ease monetary stimulus from November and is likely to raise rates by the end of next year. At the same time, U.S. government bond yields also recorded a three-month peak after the central bank showed signs of normalizing monetary policy. Dollar rises despite investors awaiting information related to the U.S. public debt ceiling limit. The Treasury Secretary warned on Oct. 18 that the government would run out of cash unless the government raised the debt ceiling, the prospect of default could happen with the possibility of wiping out as many as 6 million jobs and erase USD 15 trillion in household wealth, destroying the economy.

## 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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