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GLOBAL ECONOMIC OUTLOOK

Highlights:

The global economy is forecasted to expand by 5.4% in 2021, marking an upward correction from the previous forecast of 4.7% growth. With rapid vaccine deployment, massive stimulus packages and a reopening economy, the US is expected to grow by 6.2% in 2021 - the fastest growth rate since 1966. Driven by a strong recovery in exports and high domestic demand, China is expected to grow by 8.2% in 2021.

After the meeting in early April, the OPEC+ alliance agreed to increase oil production starting next month, but only at limited levels. Crude oil futures prices rose about USD 7/barrel from the low on April 5, to USD 68.81/barrel for Brent oil and USD 65.31/barrel for WTI oil on May 10.

In the US, the rise of unemployment insurance from the two recent stimulus bills shows a downward adjustment in the number of newly created jobs. In April, the labor market added 266,000 new jobs, after increasing by 770,000 jobs in March. This is the slowest growth rate since January.

The global PMI rose from 55.0 in March to 55.8 in April, the highest level since 2010. The fastest-growing activity was reported in Europe and the US, where the PMI has been above 60, an unusually high number. The CPI in the US also reached a record, up by 4.4% over the same period last year.

The Fed maintained its short-term lending rate at 0.25% and continued buying of at least USD 120bn in bond-related assets each month. This move has pushed the US Central bank's balance sheet to nearly USD 8tn - double the level when the crisis began.

The tax adjustments of the "American Families Plan" stimulus package will result in a 0.4% decrease in GDP in the long run. GNP will decrease by 0.6%, losing about 64,000 jobs and a 0.4% lower on wages. For the "American Jobs Plan" package, the negative impact from increasing corporate tax rates would result in an estimated loss of nearly USD 720bn in cumulative GDP over 10 years.

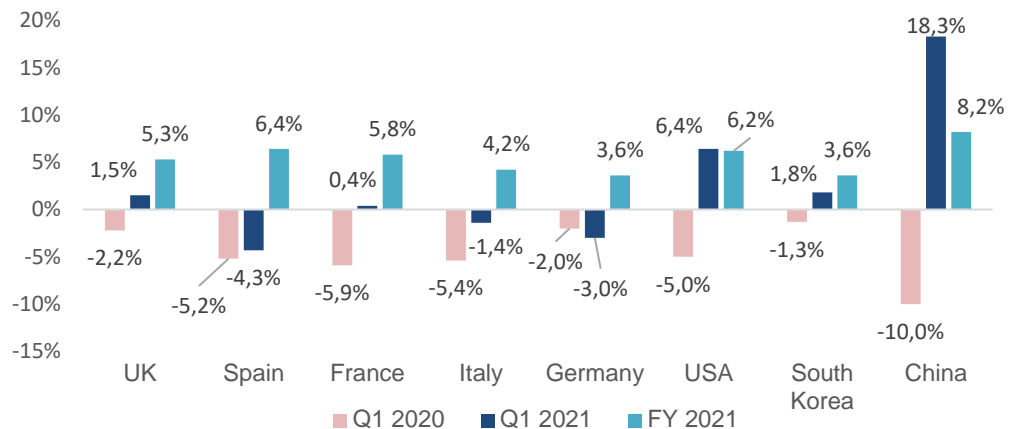
World Economic Outlook

Economic growth

The global economy is forecasted to grow by 5.4% in 2021, marking an upward revision from the previous forecast of 4.7% growth. The strong growth prospects of the US and China created a premise for the growth of the world. With rapid vaccine rollout, massive stimulus packages and the reopening economy, the US is expected to grow by 6.2% in 2021 - the fastest growth rate since 1966. Fueled by a strong recovery in exports and high domestic demand, China is expected to grow by 8.2% in 2021. However, the outlook is less optimistic for other economies. Europe, which is still struggling to handle the second pandemic wave, was forecasted to grow by only 4.1% in 2021 – a number that would be difficult to make up for the production losses in 2020.

According to IMF data, the GDP in Q1/2021 of the US and China, respectively, reached 6.4% YoY and 18.3% YoY, a sharp increase compared to -5.0% YoY and -10.0% YoY in Q1/2020. With a record growth rate and extremely positive signals, we believe that these two nations can achieve their expected growth rate in 2021. Besides, the Q1/2021 GDP of the UK and France, respectively, achieved 1.5% YoY and 0.4% YoY. Although the increase was modest, it brought an optimistic signal compared to negative levels of -2.2% YoY and -5.9% YoY in Q1/2020. Other countries in Europe such as Germany, Italy, and Spain are still facing many difficulties caused by the pandemic. GDP results in Q1/2021, respectively, are -3.0% YoY, -1.4% YoY and -4.3% YoY, compared to the negative level in Q1/2020 of -2.0% YoY, -5.4% YoY and -5.2% YoY. To achieve the 4.1% expected growth for 2021, Europe will have to quickly control the spread of diseases, speeding up the vaccine deployment progress and releasing highly effective policies. However, we believe, it will be a challenge in the current context.

GDP Q1 Results and GDP 2021 Forecast (%)



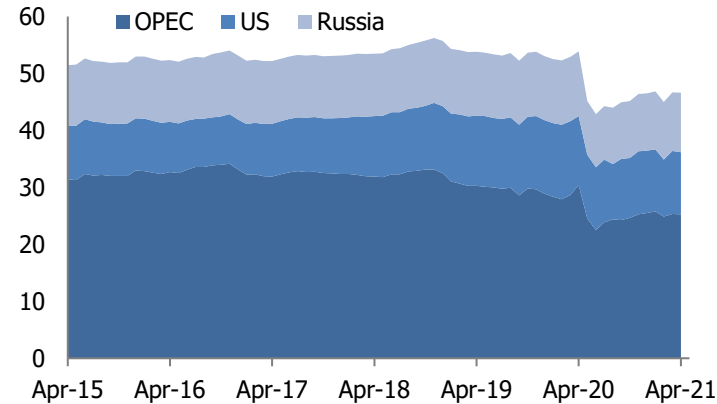
Source: Bloomberg

Oil Market

The rise of crude oil prices in April and May was driven by strong economic trends, supply-side concerns, and despite the rising of Covid-19 cases in some regions. Crude oil futures prices rose by about USD 7/barrel from the low on April 5, to USD 68.81/barrel for Brent oil and USD 65.31/barrel for WTI oil on May 10.

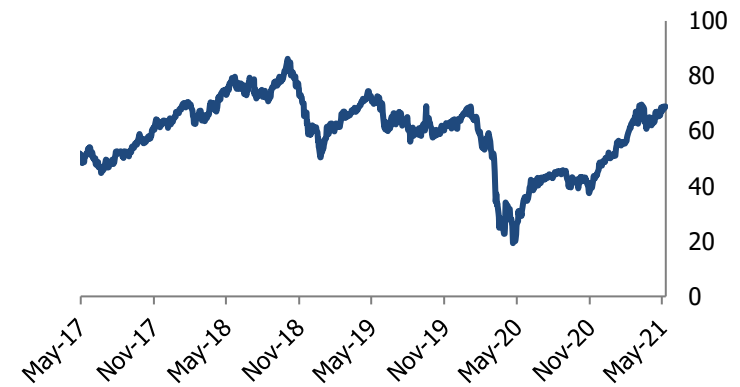
After the meeting in early April, the OPEC+ alliance agreed to increase oil production starting next month, but only at limited levels. Oil supply in countries around the world has now increased by 330,000 barrels/day to 93.4mn barrels/day in April and may increase further in May when OPEC+ policies are put into effect. In 2021, global oil consumption was forecasted to increase by 5.4mn barrels/day, 270,000 barrels/day lower than previously forecast. With the current growth and a sharp decline of 6.6mn barrels/day in 2020, experts say that it may take another 2 years for global oil demand to recover to pre-pandemic levels.

Crude oil output (million barrels/day)



Source: Bloomberg

Brent oil price (USD/barrel)



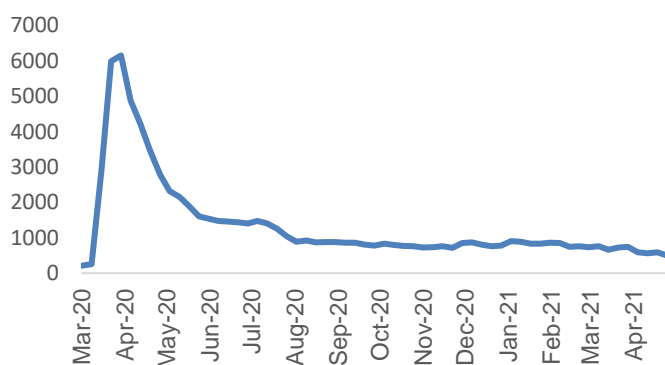
Source: Bloomberg

Labor Market

In the United States, some business leaders have complained about the increase of unemployment support from two recent stimulus bills, which has caused millions of people to receive more than they can earn when returning to work. So many people have chosen not to work while receiving government benefits that expire in September.

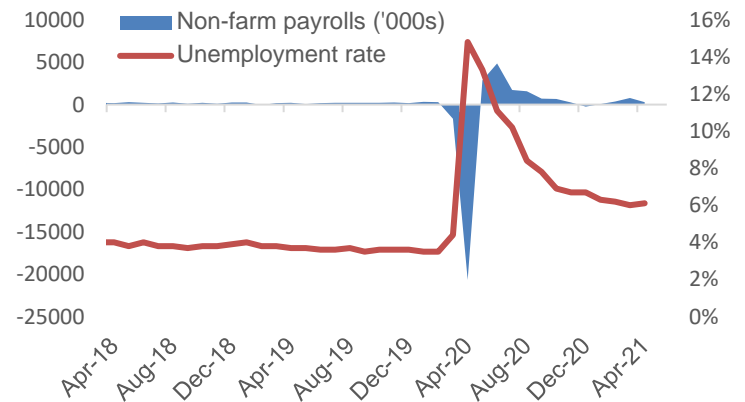
Bloomberg data shows that there were only 266,000 newly created jobs in April, after an increase of 770,000 jobs in March (revised down from the original estimate of 916,000). This is the slowest growth since January. As a result, in April, there were still about 8 million jobs below the pre-pandemic level, but about 14 million jobs above the April 2020 low.

Initial weekly jobless claims in the U.S. ('000)



Source: Bloomberg

US unemployment rate and non-farm payrolls



Source: Bloomberg

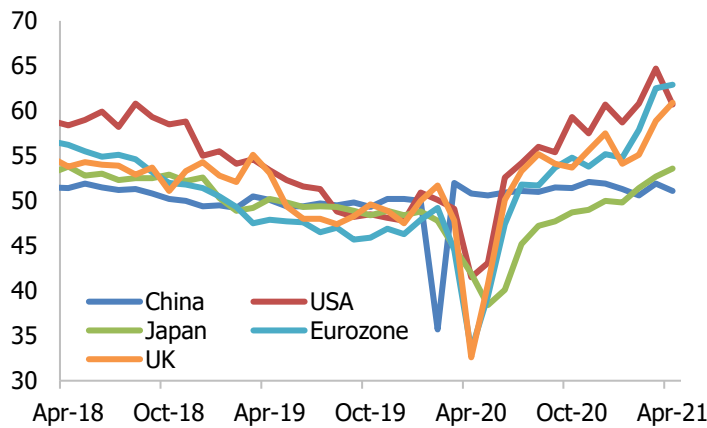
Manufacturing and consumption

As the global economy recovers, key manufacturing sectors are also on the rise. The global PMI rose from 55.0 in March to 55.8 in April, the highest level since April 2010. The fastest-growing activity was reported in Europe and the US, where manufacturing PMIs are all above 60, an unusually high number. This strength is due to the easing of economic restrictions, coupled with government stimulus.

By country, notable PMIs: PMI for the US (60.5), Eurozone (62.9) and Taiwan (62.4) are all above 60. The PMIs for the US and Taiwan are at an 11-year high and a record high for the Eurozone. The PMI for Japan (53.6) is at the highest level in 3 years. However, the PMI for China (51.9) shows that the manufacturing sector is growing at a modest pace.

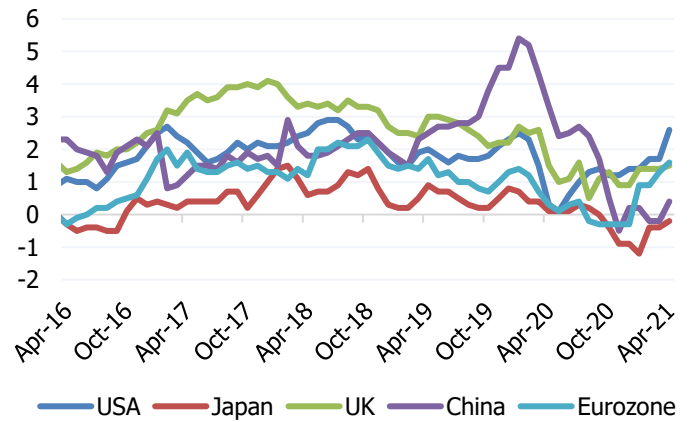
According to World Bank, from the beginning of the year to the end of April 2021, the global price for energy (crude oil and coal) has increased by 30%, the price of other goods (non-energy) has increased by 16%, in which, food prices increased by 16%, fertilizer prices increased by 24%, metal and mineral prices increased by 25%. In the US, inflation in April increased at the fastest rate in more than 12 years. The CPI for the US has increased by 4.2% over the same period last year, previously expected to reach only 3.6%. The monthly increase came in at 0.8%, versus 0.2% expected.

Manufacturing PMI of major countries



Source: Bloomberg

Inflation rate (% YoY) in major economies



Source: Bloomberg

Policies

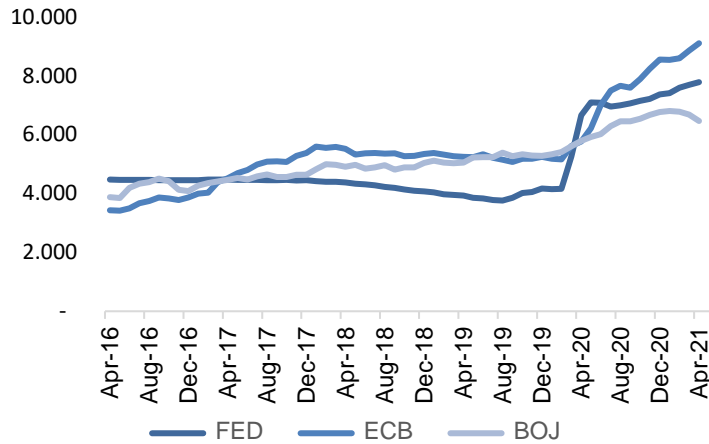
Monetary policy

After the meeting at the end of April, the Fed continued to maintain easing monetary policies until the recovery of the world's largest economy sent solid signals. Many experts believe that the US economic outlook is developing quite well, as long as the Fed keeps its current "springboard". At the Wall Street Journal event in early May, Janet Yellen said that inflation will not be an issue for the US economy, any price increase will be temporary due to supply chain shortages and the recovery of oil prices to pre-pandemic levels.

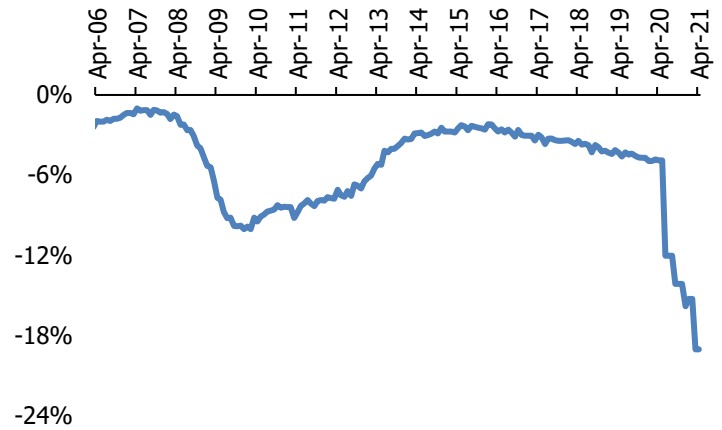
The Fed maintained its short-term lending rate at 0.25%, around the near-zero level since the beginning of the Covid-19 pandemic. The FOMC announced that it will continue buying at least

USD 120bn in bond-related assets every month. This move has pushed the US central bank's balance sheet to nearly USD 8tn, or double the level recorded when the crisis began.

Total assets on major CB's balance sheets (USD bn)



US budget deficit (%GDP)



Source: Bloomberg

Source: Bloomberg

Fiscal Policy

After signing the "American Rescue Plan" relief package worth USD 1.9tn, President Joe Biden has continued to propose two additional multi-trillion-dollar stimulus packages – The USD 2.65tn "American Jobs Plan" and the USD 1.8tn "American Families Plan". These stimulus packages were partly financed by raising taxes on corporations from 21% to 28%, higher-income households to 39.6%, and pass-through businesses to 39.6%. Biden's plans also include an extended tax credit for preferred businesses and below-average income households.

According to Tax Foundation, tax adjustments included in the "American Families Plan" stimulus package would lead to a 0.4% decline in GDP in the long run. GNP will decrease by 0.6%, losing about 64,000 jobs and a 0.4% lower on wages. For the "American Jobs Plan", the negative impact of increasing corporate tax rates would result in an estimated loss of nearly USD 720bn in cumulative GDP over 10 years.

The US budget deficit has widened to a record at 19.1% of GDP at the end of Q1 2021, up 30% YoY. Experts expect this number to continue increasing if Biden's economic stimulus packages are passed.

Economic indicators of selected countries

Countries	GDP (% YoY)		CPI (% YoY)		Unemployment rate (%)	
	Latest		Latest		Latest	
US	6,4	Q1	4,2	Apr	6.2	Apr
EU	-7.2	Q4	1.7	Mar	8.3	Mar
Germany	-3,0	Q1	2.0	Apr	4.5	Mar
France	-0,4	Q1	1.3	Apr	8.0	Mar
Italy	-1,4	Q1	1.1	Apr	10.2	Mar
Spain	-4,3	Q1	2.2	Apr	16.1	Mar
UK	1,5	Q1	0,7	Mar	5.0	Mar
Japans	-5.1	Q4	-0.1	Mar	2.9	Mar
China	18,3	Q1	0.9	Mar	5.5	Mar
Russia	-3.6	Q4	5.8	Mar	5.7	Mar

Source: OECD, MBS summarized.

Economic indicators forecast of selected countries

Countries	GDP (% YoY)		CPI (% YoY)		Unemployment rate (%)	
	2020	2021F	2020	2021F	2020	2021F
US	-3.5	6.4	1.2	2.3	8.1	5.8
EU	-6.6	4.4	2.0	3.1	8.3	8.5
Germany	-4.9	3.6	0.4	2.2	4.2	4.4
France	-8.2	5.8	0.5	1.1	8.2	9.1
Italy	-8.9	4.2	-0.1	0.8	9.1	10.3
Spain	-11.0	6.4	-0.3	1.0	15.5	16.8
UK	-9.9	5.3	0.9	1.5	4.5	6.1
Japan	-4.8	3.3	0.0	0.1	2.8	2.8
China	2.3	8.4	2.4	1.2	3.8	3.6
World	-3.3	6.0	2.1	2.5		

Source: OECD, MBS summarized.

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