

Get off to a good start

- Import and export grew strongly, production activities showed signs of recovery after a prolonged period of stagnation.
- Interbank interest rates bounced up at short terms due to increased liquidity demand near Luna New Year.
- The interbank USD/VND exchange rate cooled down while the world dollar extended its upward momentum.

Im-export activities grow strongly, production activities prosper

Industrial production decreased 4.4% mom and went up 18.3% yoy in January, manufacturing and electricity, gas, steam and air conditioning supply increased in some localities. PMI climbed to 50.3 in January after 4 consecutive months below the 50-point threshold as new orders rebound, boosted by demand in domestic and abroad. Exports in January increased 42% yoy driven by many agricultural, forestry and fishery products with growth of over 70% yoy.

Inflation stabilizes in January and maintains a downward trend

CPI in January in 2024 grew 3.3% yoy lower than January 2023 (up 4.8% svck) when the Lunar New Year falls in February as well as inflation has not been pressured by the food price index. However, the increase in electricity prices and the price of medical services in 2023 still impacted inflation in the first month of the new year.

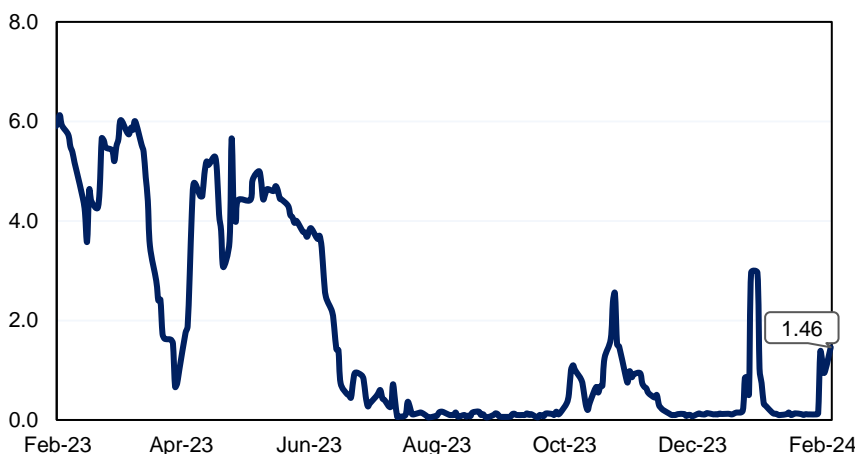
Consumer growth slow down but the trend remain optimistic

The growth rate of total retail sales and consumer service revenue in January increase 8.1% yoy and 1.6% mom. The growth rate of retail this year is not equal to January 2023 because it does not fall in time for the Lunar New Year but still reaches a higher scale compared to the same period in previous years.

Interbank interest rates bounce up under pressure from liquidity demand

Interbank interest rates skyrocketed only in the last days of January, especially at short terms due to the seasonality of the year. In particular, the overnight rate is currently trading at 1.4%, up sharply from a trough of 0.1% in the month. We expect interest rates to rise not too sharply and to cool as soon as the holiday season ends amid not too much strain on liquidity demand.

Figure 1: Interbank overnight lending rate (%)



Source: GSO, MBS Research

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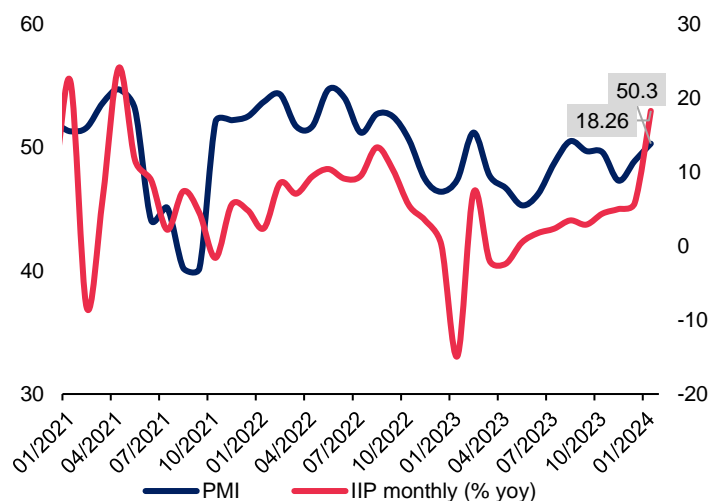
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Manufacturing industry stands out as a key driver propelling growth of industrial production activities

Industrial production decreased 4.4% mom and went up 18.3% yoy in Jan, the growth index is high compared to last year's low base and exports in the month are favorable. Industries with strong production growth in the month include: manufacture of furniture (+66.7% yoy), manufacture of machinery and equipment (+52.5% yoy), and manufacture of electrical equipment (+43.3% yoy). In addition, the only two groups that recorded negative growth were repair and installation of machinery and equipment (-23.4% yoy) and extraction of crude petroleum and natural gas (-1.1% yoy).

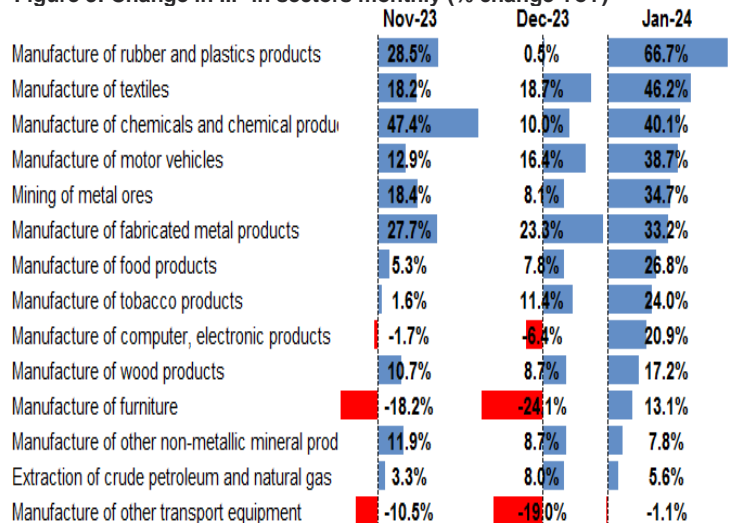
The January PMI rose to 50.3 points from 48.9 points in December, returning above the 50-point threshold in the first month of the year. The index results show that the health of the manufacturing industry has improved after 5 months, despite this is a slight improvement due to the number of new orders and production has increased again. The total number of new orders increased for the first time in three months amid a recovery in demand in both the domestic and export markets (the number of new export orders also increased for the first time since October last year). Furthermore, post-production inventories have recorded a decline in January 2024. The decline in pre-production inventories was large and was the sharpest since June last year.

Figure 2: Vietnam's PMI manufacturing and IIP (% change YoY)



Source: Bloomberg, MBS Research

Figure 3: Change in IIP in sectors monthly (% change YoY)



Source: GSO, MBS Research

Exports maintained their growth momentum, bolstering by agricultural products

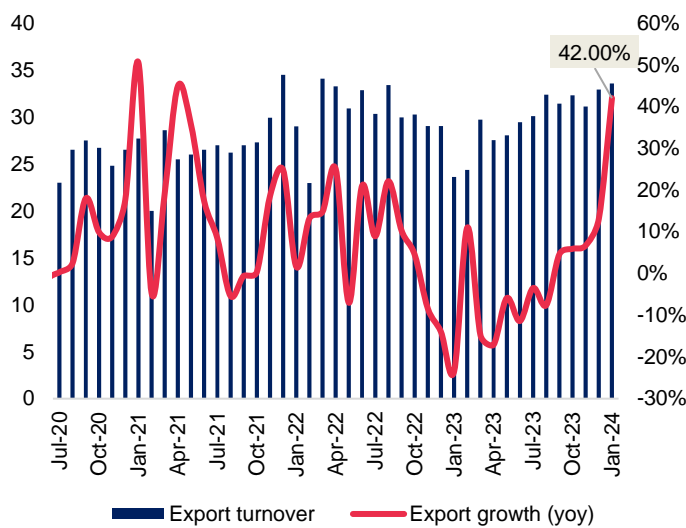
In Jan, export turnover of goods declined 6.7% mom, up 42% yoy to USD 33.5bn. The growth rate of exports showed improvement compared to the low base of the previous year (Jan 2023 decreased by 23.45% yoy) due to a large number of industrial products grew impressively such as cassava & products (+198% yoy), cashew nut (+143% yoy) and tea (+127% yoy). In addition, the number of working days of January 2024 is more than 2023 when it falls on the Lunar New Year, so the import and export turnover of goods this year increased

sharply over the same period. Exports with the largest negative growth included petroleum (-19.7% yoy) and crude oil (-1.9% yoy).

In term of export markets, export turnover to U.S. increased 55.8% yoy to USD 9.6bn, following by E.U with USD 3.9bn (+17.9% yoy); export to Japan reach USD 2.2bn (+39.6% yoy).

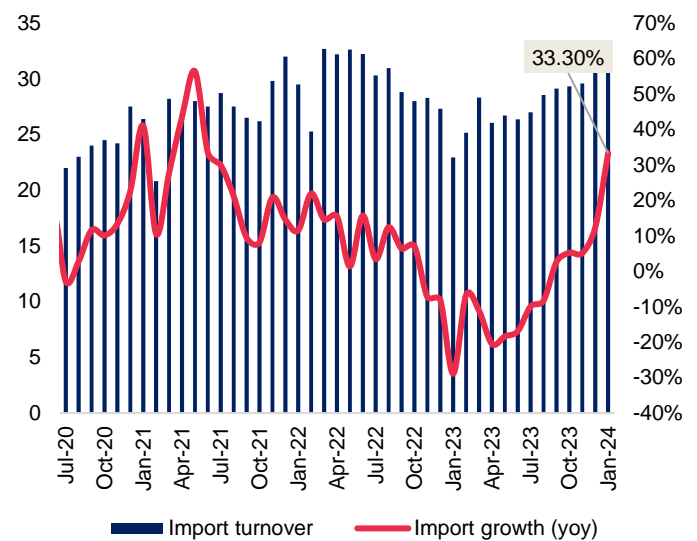
Import turnover of goods was about USD 30.6bn in Jan (+5.1% yoy and +4.2% mom). China remained the largest import market of Vietnam with a turnover of USD 10.9bn (+49.4% yoy). Three import products totaling more than USD 10bn in value in 1M24 (accounting for 43.9% of total import turnover), which are electronic goods, computers and their parts; machinery, instrument, accessory and fabrics, respectively, with growth rates of +25.7% yoy, +46% yoy and +28.2% yoy.

Figure 4: Export market of Vietnam in monthly (USD bn)



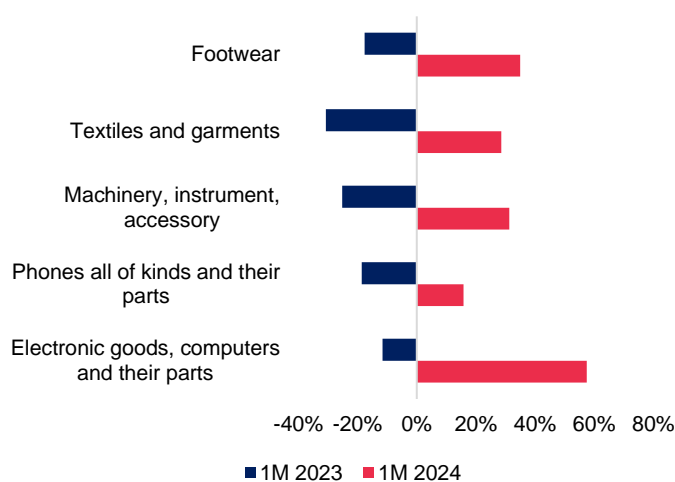
Source: GSO, MBS Research

Figure 5: Import market of Vietnam in monthly (USD bn)



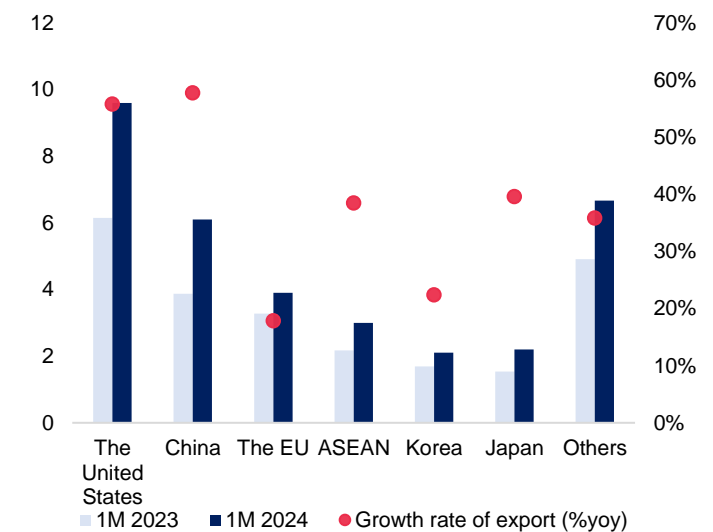
Source: GSO, MBS Research

Figure 6: Growth of major export products in 1M2024 (%yoy)



Source: GSO, MBS Research

Figure 7: Export market of Vietnam in 11M2023 (USD bn)



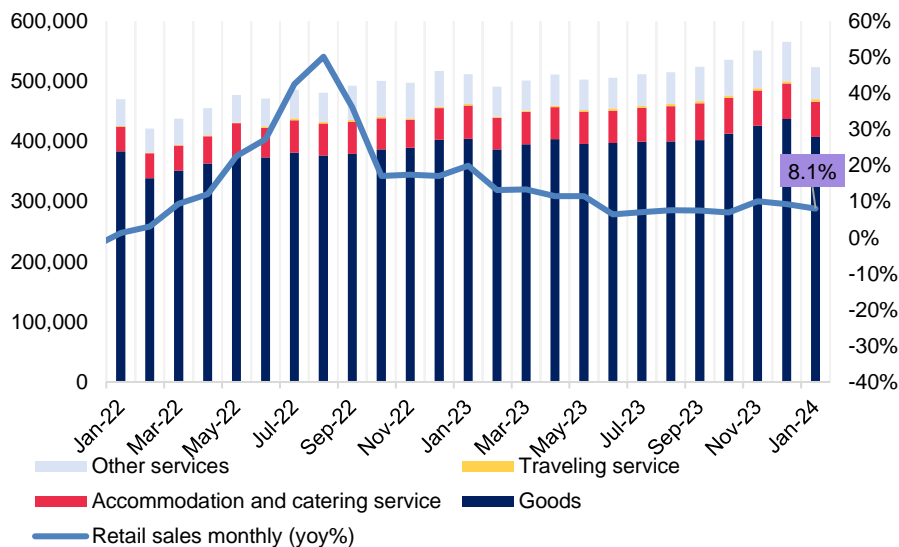
Source: GSO, MBS Research

Consumption growth slows but is still supported by optimistic tourism

Retail sales of consumer goods and services growth went up by 8.1% yoy and 1.6% mom in Jan 2024. Trade and service activities in the first month of the year still took place quite actively to prepare to serve the consumption needs of people in the month near Lune New Year.

However, total retail sales of consumer goods and services was estimated to increase by 5.8% yoy (excluding the price factor), the growth rate is still lower than last year (Jan 23 increased by 15.8% yoy excluding the price factor) as retail activity increased more strongly during the holiday season and at the same time increased compared to the low level of the year of the previous pandemic. International visitors to Vietnam 1M24 were estimated at 1.5mn arrivals, +10.3% mom and +73.6% yoy.

Figure 8: Retail sales of consumer goods and services (Trillion VND)



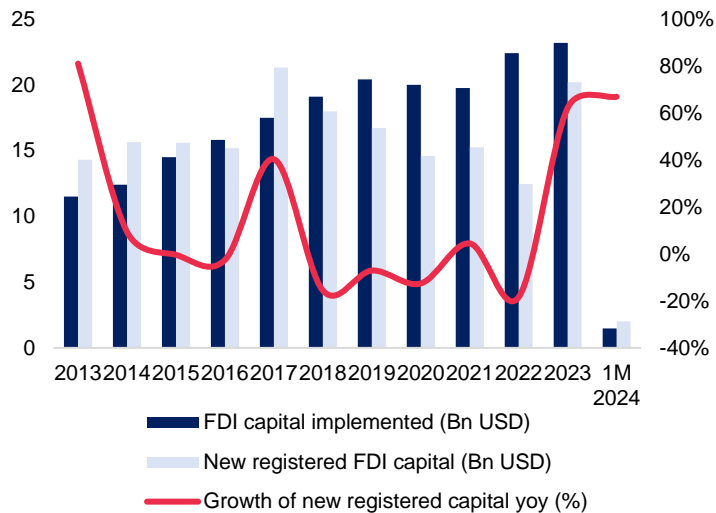
Source: GSO, MBS Research

FDI growth in the month was impressive, contributed by the real estate sector

In Jan, newly registered FDI inflow increased by 67% yoy, meanwhile disbursed FDI inched up 9.6% yoy to USD 1.4bn, in which: Processing and manufacturing industry sector attracted USD 1.1bn of new FDI inflow (accounting ~ 77.7%), real sector reached USD 147.3mn (accounting ~ 4.9%), and about USD 72.4m for electricity generation and distribution, as, hot water, steam, and air conditioning production. Notably, in the first month of the year, Hanoi's investment capital increased sharply due to a large new investment project with a total investment of more than 662 million USD with the goal of investing in a new urban area project in Hanoi with the possibility of belonging to the project that CapitalLand Group (Singapore) invested in Tay Mo - Dai Mo - Vinhomes Park Hanoi New Urban Area.

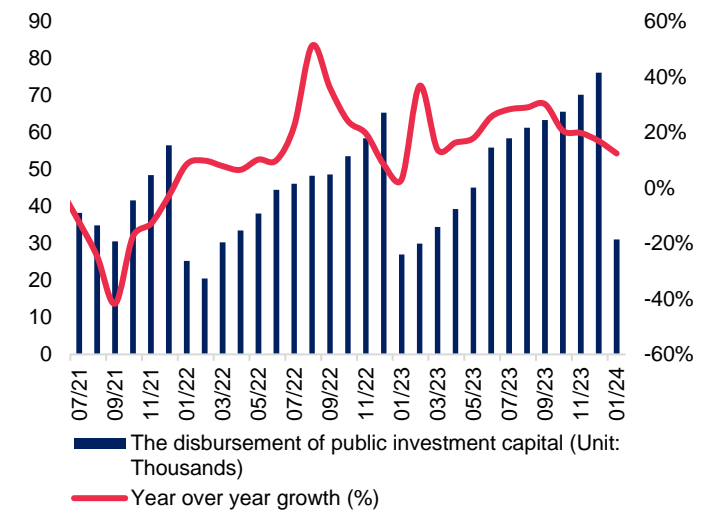
Disbursed state investment sped up 12.5% yoy in Jan to VND 31.1tn, fulfilling 4.4% of Government's target. The speed of disbursement of public investment is significantly higher than Jan 2023 (up 3.2% yoy) when last year January fell on a long holiday.

Figure 9: Growth of realized investment capital from State budget



Source: GSO, MBS Research

Figure 10: Growth of foreign investment capital



Source: GSO, MBS Research

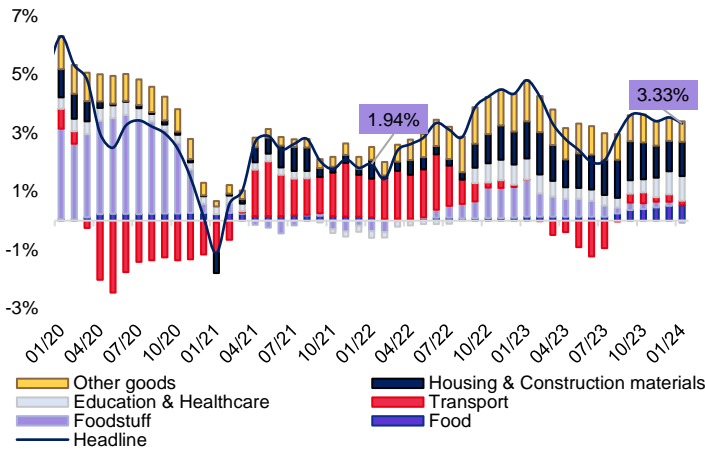
Inflation stabilizes and maintains a downward trend

According to General Statistics Office (GSO), Vietnam’s CPI in Jan 2024 inched up only 0.3% mom and 3.3% yoy (CPI in Jan 2023 increased 4.8% yoy) shows that CPI increased quite low compared to the same period because this year's Lunar New Year falls in February, so indices in the food, food and tobacco beverage groups have not yet put pressure on inflation according to the law of consumption. Meanwhile, core inflation increased by 2.7% yoy.

Building material prices and rental housing prices continued to account for a large proportion, contributing to the increase in CPI during the month (+6.3% yoy). In addition, Food and catering services increased by 2.3% yoy, of which: Food basket increased by 15.6% yoy due to demand for food and dining increased in addition to the Lunar New Year. Tuition fee increases in some cities pushed the education group index up 8.3% and the medicines and health services group increased by 6.5% as revised health service prices contributed to pushing up the consumer price index for the month over the same period. The increase in tuition fees in some localities pushed the education group index up by 8.3% yoy and the medicine and healthcare services group increased 6.5% due to adjusted healthcare service prices contributing to CPI increase compared to the same period.

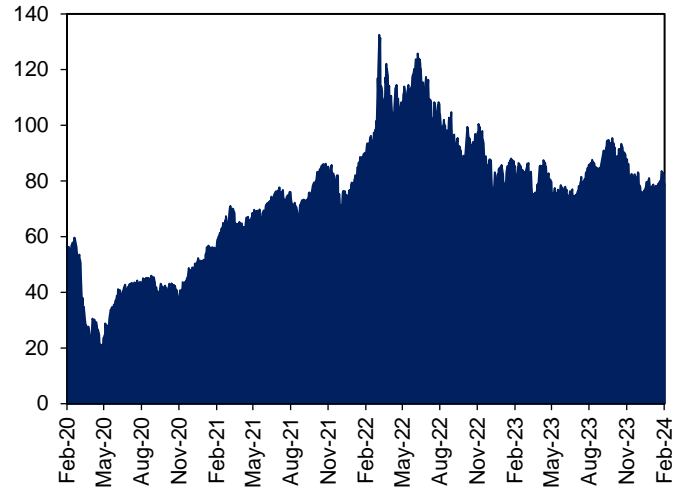
We expect the average CPI in 2024 to fluctuate at 3.5% - 3.6%, inflation will still remain within the government's target of 4% - 4.5% because domestic demand is still low. However, inflation next year will be at risk due to the following factors: First, domestic construction steel prices are expected to recover to 15mn VND/ton (+8% yoy) in 2024 due to increase in global steel prices and demand in the domestic market. Second, rising electricity demand along with EVN adjusting the average retail electricity price twice in 2023 will impact related goods, products and services and push up daily spending to go up. Third, the food price index tends to increase because rice prices will increase in the context of increased demand in Asian and African markets. In addition, oil price is also a notable factor next year in the context of international conflicts that may last longer. However, the outlook is still not too clear and is expected to remain quite stable around 83 - 85 USD/barrel due to supply reduction efforts from OPEC+.

Figure 11: Contribution of commodity groups to CPI growth (%)



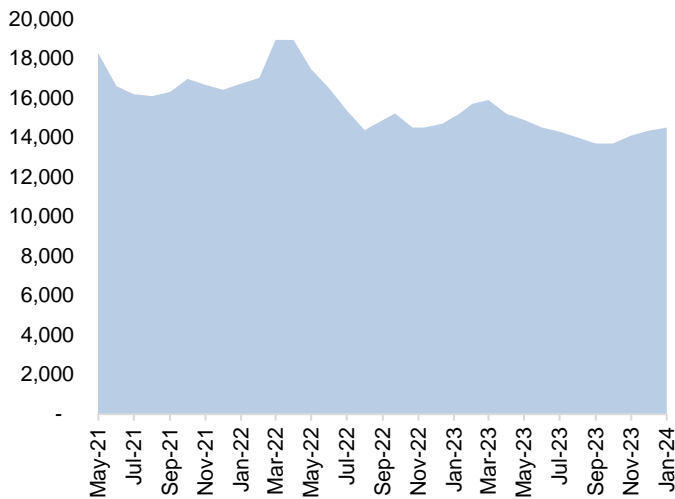
Source: GSO, MBS Research

Figure 12: Brent crude oil price (USD/Barrel)



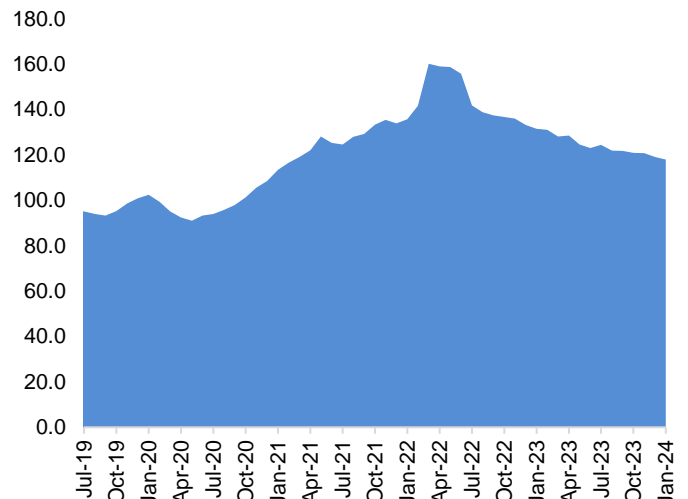
Source: Bloomberg, MBS Research

Figure 13: Steel price (Mn VND/ton)



Source: MBS Research

Figure 14: FAO food price index



Source: FAO, MBS Research

Interbank interest rates bounced up due to the increase in liquidity demand

The SBV has returned to injecting money through OMO channel. On January 30th, the SBV injected VND 2.28bn through OMO channel with an interest rate of 4%/ year and a tenor of 7 days and the whole amount matured and returned to the SBV. Meanwhile, the bill issuance channel has no activity.

Interbank interest rates continue to show an upward movement as they get closer and closer to the Lunar New Year, seasonality puts pressure on liquidity and pushes up interbank interest rates. The overnight rate has risen and is currently trading at 1.4%/year. Interest rates on other short terms of 1 month or less simultaneously bounced up and are currently trading in the range of 1.6%-1.7%/year.

The race of deposit rate reduction has not stopped. In January, the average deposit rate fell to between 4.73% and 4.98%/year. Since the system's capital resources are still quite plentiful, the state-owned bank group saw the biggest decline. State-owned banks are currently implementing interest rates for 12-month terms specifically as follows: Agribank, VietinBank and BIDV have the

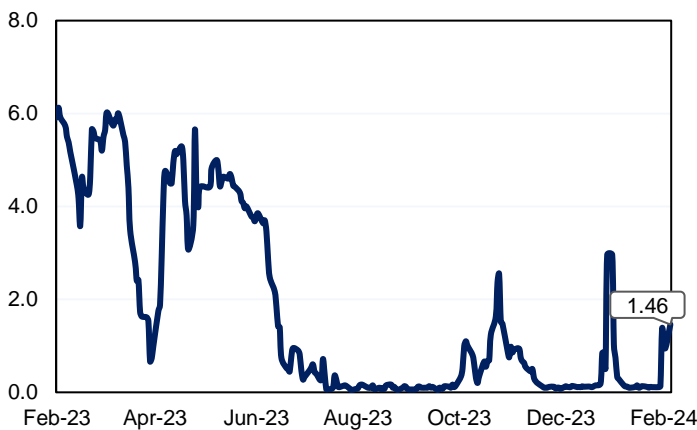
same interest rate of 4.8%/year. For the same duration, Vietcombank alone offers a lower interest rate of 4.7% annually.

We think input rates are likely to bottom out in 1Q24 and are unlikely to fall further mainly because credit demand will tend to increase in 2024. In the context of more positive export growth at 6-7%, investment and consumption both prospered on the low level of the same period last year, we believe that the current liquidity excess will be balanced by a return to capital demand. According to our forecast, credit growth in 2024 to reach around 13-14%.

However, in the opposite direction, the upward pressure on interest rates is not great because the US monetary tightening cycle has almost ended. With the forecast that the Fed's operating rate will be lowered to approximately 4% by the end of 2024, the pressure on the exchange rate is not great, the State Bank will have room to maintain the current monetary policy. We forecast that the 12-month deposit rate of large commercial banks will be able to inch up by 25-50 basis points, returning to 5.25%-5.5% in 2024.

On the other hand, since the US monetary tightening cycle is virtually over, there is less pressure to raise interest rates. The FED's operating interest rate is expected to decline to about 4% by the end of 2024 since there won't be much pressure on the exchange rate, SBV will be able to continue with its existing monetary policy. According to our forecast, the 12-month deposit rate of major commercial banks would rise by 25 to 50 basis points, returning to 5.25 to 5.25% in 2024.

Figure 15: Interbank overnight lending rate (%)



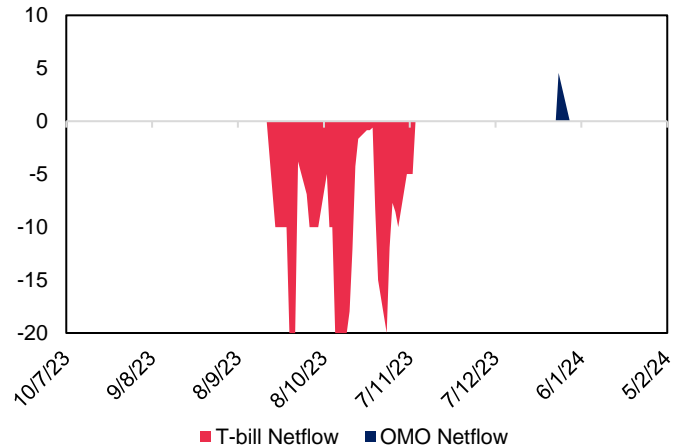
Source: GSO, MBS Research

Figure 17: Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/10	0.7	1.1	1.5	2.2
30/11	0.1	0.2	0.3	0.8
31/12	2.9	3.3	2.7	2.2
05/02	1.4	1.7	1.7	1.6

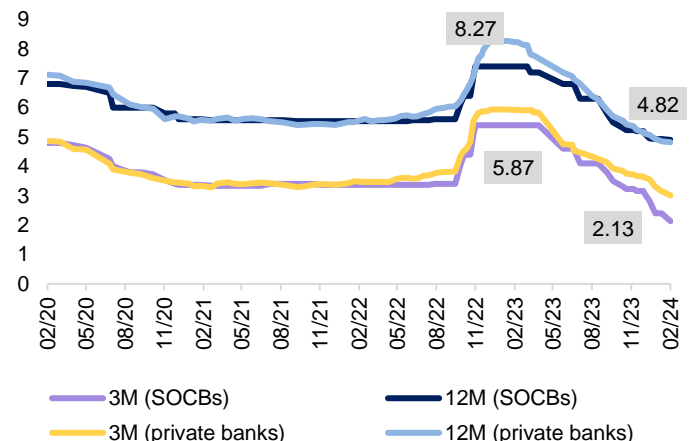
Source: MBS Research

Figure 16: SBV's Open Market Operation (Liquidity) [VND tn]



Source: Bloomberg, MBS Research

Figure 18: Commercial banks deposit rate (%)



Source: FAO, MBS Research

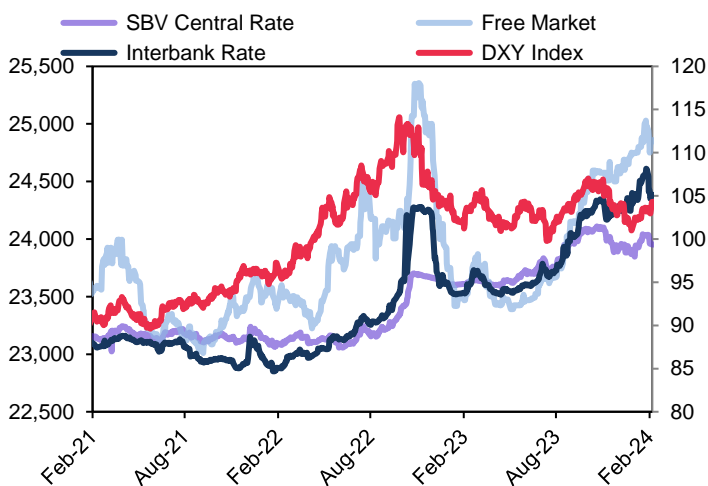
The interbank USD/VND exchange rate cooled down

The domestic exchange rate quickly decreased as the holidays drew near after climbing substantially and peaking this month. The interbank exchange rate is currently trading at 24,363 VND/USD, down 0.9% from the peak, and has returned to the price level at the beginning of the year. With a decline of 0.3% to 0.5% from their peaks in January, then free exchange rate and the central rate are currently trading at 24,910 VND/USD and 23,964 VND/USD, respectively.

The dollar bounced to 104.5, its highest level in almost three months and up 2% from the start of the year, after new economic data showed signs of economic recovery, which reduced the Fed's chances of rate cut. According to ISM data, U.S. services sector growth resumed in January as a result of higher employment and new orders, indicating that the fourth quarter's economic growth momentum had carried over into the new year. In addition, unexpected data on job growth with average hourly earnings growing by 0.6% following a 0.4% increase in December simultaneously lowered market expectations for a possible rate cut in March and the total number of cuts anticipated by the Fed this year.

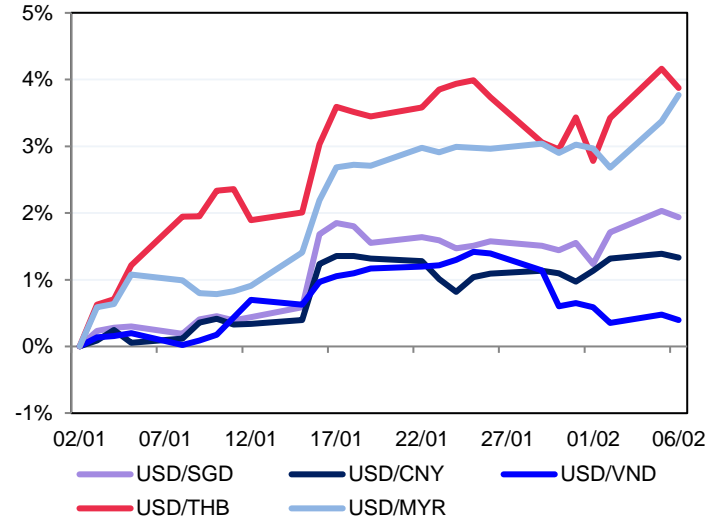
Heading to 2024, the context of improving US inflation means increasing the likelihood that the Fed will start cutting interest rates sooner than expected. With the easing of global monetary policy, there will be less pressure on the domestic exchange rate as the US dollar depreciates significantly. We believe that the exchange rate in 2024 will fluctuate in the range of 23,800 – 24,300 VND/USD and will continue to be supported by factors including trade surplus, however, it may not be as good as now when import and export will recover, FDI disbursement will be positive, and remittances will be stable (the IMF forecasts more than USD 110bn in remittances in 2024), and international tourism rebounds sharply,...

Figure 19: VND/USD exchange rate



Source: SBV, Bloomberg, MBS Research

Figure 20: Regional currencies performance against USD



Source: Bloomberg, MBS Research

Vietnam's economic indicators

Economic indicators	2018	2019	2020	2021	2022	2023F	2024F
1. GDP, population & income							
Nominal GDP (USDbn)	281.3	310.1	334.3	346.6	366.1	408.8	476.9
Real GDP growth (%)	7.08	7.02	2.91	2.58	8.02	5.3	4.7
Exports of goods and services (% yoy)	13.8	8.1	6.5	19	10.6	-8	7
Imports of goods and services (% yoy)	11.5	7	3.6	26.5	8.4	-10	9
Population (mn people)	96.4	97.7	98.5	99.3	100	100.0	101.5
GDP per capita (USD)	2,992	3,267	3,491	3,586	3,756	4,163	4,707
Unemployment rate (%)	2.33	2.33	2.2	2.2	2.2	2.9	2.3
2. Fiscal policy (%GDP)							
Government debt	49.2	51.5	39.1	34.7	36.1	36.1	39.8
Public debt	43.1	38	39.5	38	39.5	38	32.3
Foreign debt	47.1	47.9	38.4	36.8	36	36	36.5
3. Financial indicators							
USD/VND exchange rate	23,180	23,228	23,115	23,145	23,612	24,100	23,600
Inflation rate (%)	3.5	2.8	3.2	1.8	3.15	3.43	3.5
Credit growth (%)	17.1	18.7	18.2	13.9	12.1	11	10
12-month deposit rate	7	7.2	6.8	5.8	8.5	6.3	6
Trade balance (USD bn)	7.2	9.9	19.1	4	11.2	22	12
Goods: Exports (USD bn)	244	263	281	336	371	340	366
Goods: Imports (USD bn)	262	332	360	322	354	322	354
Foreign reserve (USD bn)	55	78	94	109	86	95	110.5

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Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

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