SBV extended credit growth target by 1.5-2%, whole year target raised to 15.5-16%

On December 5th, 2022, the SBV announced that credit growth target for this year will be increased by 1.5-2% in the banking sector. The increase in credit quotas comes as the global macro environment is showing signs of stabilizing, liquidity in the banking system is improving and domestic inflation has been maintained in the first 11 months within the 4% annual target. Details available from the announcement from the SBV's adjustment of the credit growth target for 2022 include:

- Increase the credit growth target by 1.5-2% for the whole system. Thus, credit growth target of the whole system was raised from 14% to **15.5-16%**.
- Banks with good liquidity and low lending interest rates will be granted higher credit growth quotas (specific additional credit growth quotas for each bank have not been disclosed).
- Credit orientation continues to focus on manufacturing sectors.
- The SBV said that it can support liquidity so that banks can be able to disburse the new credit quotas.

We assess that the banking system is capable of supplying the new credit quotas to the economy. In the context that the funding sources of companies are facing difficulties, we expect that the extension of the above credit growth quotas by the SBV will help reduce liquidity pressure for companies at the end of the year.

As a point to note, the SBV explicitly stated that "Banks with good liquidity and low lending interest rates will be granted higher credit growth quotas". In recent weeks, some banks have made public notifications of reductions to lending interest rates including VCB, Agribank, ACB and HDB.

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Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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