



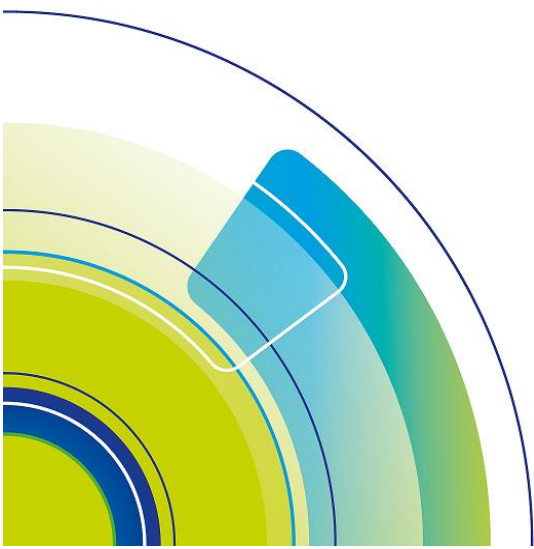
Macro Update

Quarter IV 2022

January 11, 2023

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MACRO UPDATE 4Q2022

Macro Indicators 4Q22

GDP	+5.92%
Agri., forestry, and fishery	+3.85%
Industry and construction	+4.22%
Services	+8.12%
Industrial Production Index (IIP)	+3.02%
Mining and quarrying	+7.06%
Manufacturing	+2.42%
Production and distribution of electricity	+4.39%
Water supply and waste treatment	+8.92%
Vietnam Exports (USDmn)	89,049
Vietnam Imports (USDmn)	85,340
Net Trade (USDmn)	3,709
Disbursed FDI (USDmn)	6,972
Registered FDI (USDmn)	7,097
Retail sales of goods and services	+15.39%
CPI	+4.41%
Core CPI (avg. 2022)	+2.59%

Vietnam's economy continued to record strong growth figures in the last quarter of 2022, with 4Q GDP growth coming in at 5.92% YoY and GDP growth for whole 2023 hitting 8.02% (both slightly higher than our unfavourable scenarios of 5.4% and 7.8% respectively), the fastest annual pace since 1997, supported by strong domestic retail sales and exports from FDI, however, the economy is facing headwinds as we move into 2023 from signs of a global economic slowdown.

Industrial activities in 4Q slowed, but still posted positive figures, in which IIP recorded a positive growth rate of 3.02% YoY in 4Q2022 and 7.8% YoY in 2022 (vs +6.37% in 4Q2021, and +4.8% YoY in 2021). Furthermore, the PMI also showed signs of contraction in 4Q2022, as the index declined throughout the quarter and reached a 15 month low (October – 50.6, November – 47.4, December – 46.4).

Disbursed FDI remained strong in 4Q2022 (+7.9% YoY vs +3.9% YoY in 4Q2021) as Vietnam remains an attractive investment destination for FDI firms. Registered FDI in 4Q2022 recovered which posted 33.0% YoY (vs -4.4% YoY in 4Q2021).

Last but not least, Consumer Price Index (CPI) 4Q2022 increased 4.41% YoY, a little on the high side due to rising education fees, housing and construction materials and high outdoor eating and drinking services, but average inflation rate in 2022 still remain 3.15% YoY and far below government's target 4%.

There are several exogenous risk factors to watch in 2023 which may bring uncertainties to Vietnam's economic growth prospects, include:

- (1) Moving to 2023, we expect that while inflationary pressures will remain in the early parts of the year, FED and other major central banks continue to raise rate as planned. And if the actions of central banks have the intended effects and inflation is brought under control, we could see neutral monetary policies in the second half as encouraging economic growth will return to the forefront of policy makers minds. Overall, we expect the high interest rate environment to continue at least until the end of 2023;
- (2) The FED, along with the BOE and ECB are stopping reinvesting maturing assets and starting to sell assets on their balance sheet (also known as Quantitative Tightening program). Morgan Stanley, an investment bank, estimated that the balance sheets of the heaviest-hitting central banks will shrink by roughly USD4tn by the end of next year. According to new paper "How Many Rate Hikes Does Quantitative Tightening Equal?" from The Federal Reserve Bank of Atlanta's Policy Hub suggest that a \$2.2trn passive roll-off of nominal US Treasuries from the Federal Reserve's balance sheet over three years is equivalent to an increase of 29bps in the current FED funds rate in normal times, but 74bps during crisis periods. Those events will put upward pressure on rates which could be difficult to lower rates and in turn will badly affect economic growth;
- (3) Many large financial institutions (BoA, BNY Mellon, Credit Suisse, Fidelity ...) predicted that EU's economy will have a deep recession and a slow recovery. While the US's economy facing a dilemma in which FED will continue to prioritize controlling inflation with its rate hike plan, and on the other hand, the government will put forward stimulus package to keep the economic growth momentum or at least keep the economy from falling into recession. EU and US are Vietnam's major trading partners, so production and trade activities, which are still the main growth drivers of the Vietnamese economy, are expected to slow in 2023;
- (4) China is very cautious towards ending its zero-COVID strategy, however recent signs point to material moves being made to ease restrictions, including removing the quarantine requirement for inbound travelers, starting January 8, 2023,

scrapping the use of the COVID tracking app and lifting domestic travel restrictions. The path to a full resumption of economic activities could take a few months with potential surging COVID infections amidst the relaxation of restrictions. These changes make travel domestically easier, keep businesses operating and allow COVID patients to quarantine at home. Given potential hiccups during the reopening phase, we expect economic activities to continue at a relatively weak pace in 1H2023, but expect strong recovery in 2H2023;

- (5) We are also keeping a keen eye on the Chinese property sector and its chances of revival as it's a key sector in the Chinese economy. There are signs that China may remove the 'three red lines' policy that has hampered the real estate sector since its introduction nearly two years ago;
- (6) The industrial activities remain in growth despite recent slowdowns (IIP slowed starting from October 2022 but overall 2022 still increased 7.8% YoY). It will be important to monitor key industrial activities in the coming months to see if the recent deterioration in some metrics (exports declining in Nov and Dec y/y, PMI falling out of expansionary territory for 2 consecutive months) are a temporary blip or the start of a longer trend.

However, despite fears that these events could slow Vietnam's growth prospects in 2023, we expect that Vietnam's economy could still maintain solid growth in 2023, supported by:

- (1) Vietnam's manufacturers remain a 'low-cost manufacturer', stability in the macro economy and with more competitive labor costs in the region could be attractive for firms to invest and establish production plants, which in turn will push industrial activities;
- (2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub;
- (3) the trade war between US and China continued, especially in semiconductor area. And operations diversification wave of companies into other parts of Asia (including Vietnam) will continue not just to avoid the impact of the trade war but also to lower production costs;
- (4) The strong recovery of the service sector, after relaxing all COVID-19 related restrictions on service businesses, coming from (1) improvement of domestic consumption (total retail sales of goods and services 4Q22 increased 17.1% YoY and 2022 increased 19.8% YoY), (2) reopening international tourism (retail sales of travelling services 4Q22 increased 231% YoY and 2022 increased 271% YoY); (3) normalization of transportation of goods help push trading activities especially export from FDI sector; and (4) number of foreign tourists from China surge again after China reopen its economy (the number of tourists from China accounted for 40% before the COVID-19 while 2022 accounted for over 9%).
- (5) Furthermore, the fiscal and monetary stimulus package, worth VND347tn (VND291tn for fiscal package and VND56tn for monetary package), to support the socio-economic recovery and development program after the impact of the COVID-19 only disbursed 16%, which remain around VND290tn need to disbursed in 2023. Along with Capital under State Budget needed to disbursed in 2023 (estimate to be around VND650-680tn, +29% YoY), which will push socio-economic recovery in 2023.

Overall, we estimated that Vietnam's GDP will grow in range between 5.9% - 6.4% YoY in 2023.



Vietnam's economy continued to record strong growth in 4Q2022 and posted a record 2022 growth since 1997 thanks to strong domestic retail sales and export from FDI

- Generally, GDP in 4Q2022 rose 5.92% YoY, in which:
 - Agriculture, forestry and fishery sector grew 3.85% YoY in 4Q2022 (vs +3.16% YoY in 4Q2021);
 - Industry and construction sector increased 4.22% YoY in 4Q2022 (vs +5.61% YoY in 4Q2021); and
 - Service sector increased 8.12% YoY in 4Q2022 (vs +5.42% in 4Q2021).
- Overall, GDP in 2022 increased 8.02% YoY.

Vietnam's industrial activities in 4Q2022 remained in growth despite recent slowdowns

- IIP 4Q2022 increased 3.02% YoY (vs +6.37% YoY in 4Q2021), in which:
 - Manufacturing increased 2.42% YoY in 4Q2022 (vs +7.83% in 4Q2021);
 - Production and distribution of electricity IIP increased 4.39% YoY in 4Q2022 (vs +6.33% in 4Q2021);
 - Water supply and waste treatment IIP increased 8.92% YoY in 4Q2022 (vs +0.24% in 4Q2021);
 - Mining IIP growth grew 7.06% YoY in 4Q2022 (vs -3.29% in 4Q2021).
- Overall, IIP in 2022 increased 7.8% YoY

Disbursed FDI grew strongly and registered FDI recovered in 4Q2022

- Disbursed FDI in Vietnam reached USD7.0bn in 4Q2022 – increasing 8.0% compared with same period last year, while registered FDI in 4Q2022 recovered and posted 33% YoY reached USD7.0bn. The capital contribution & share repurchase decreased 49% YoY to USD1.9bn in 4Q2022.
- Vietnam's top 3 FDI investors registered in 4Q2022 are Japan (USD2.8bn, +395% YoY), China (USD967mn, +115% YoY) and Hong Kong (USD876mn, +133% YoY).
- Vietnam's top 3 sectors by registered FDI in 4Q2022 are the manufacturing sector, production and distribution of electricity, gas, air conditionals, and real estate activities sector.

Total trade value of Vietnam contracted in 4Q2022 as the global economy faces strong headwinds

- Trading activities contracted in 4Q2022 with year-on-year total trade value decreased 5.2%, especially in our large trading partner such as the US, EU and China. Specifically, according to GSO, total turnover of import-export of goods decreased 5.2% YoY in 4Q2022 (vs -15.8% YoY in 4Q21), with exports in 4Q2022 reached USD89.1bn (-6.5% YoY), while imports reached to USD85.3bn (-3.81% YoY), resulting in a trade surplus of USD3.7bn in 4Q2022.
- Generally, according to GSO, total export-import turnover in 2022 reached VND732.5bn (+9.6% YoY) with exports reaching USD371.9bn (+10.6% YoY) and imports USD360.7bn (+8.6% YoY). As a result, trade surplus in 2022 reached over USD11.2bn.

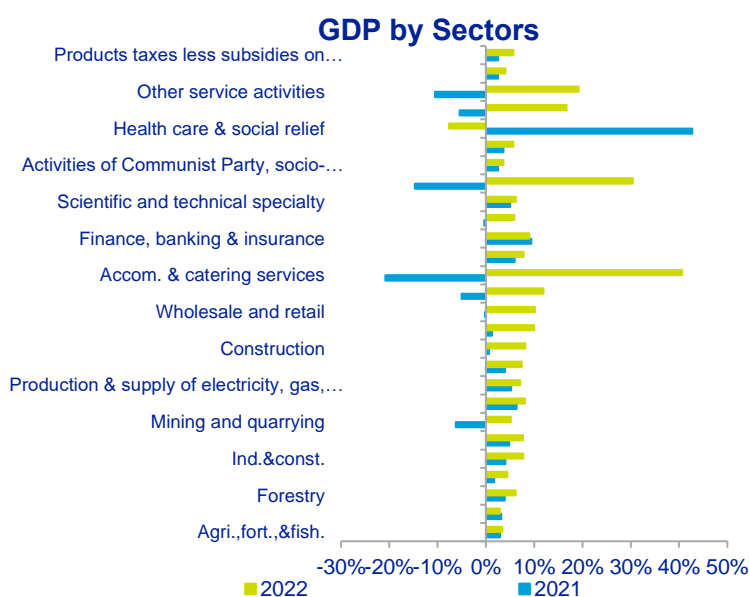
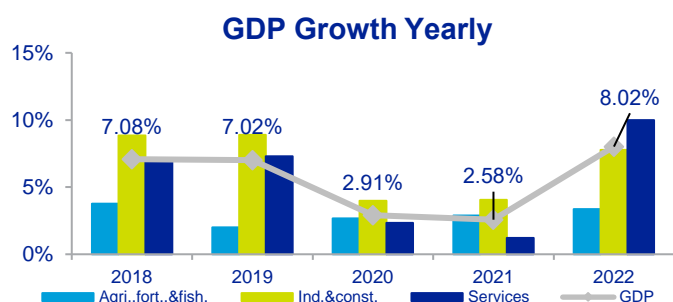
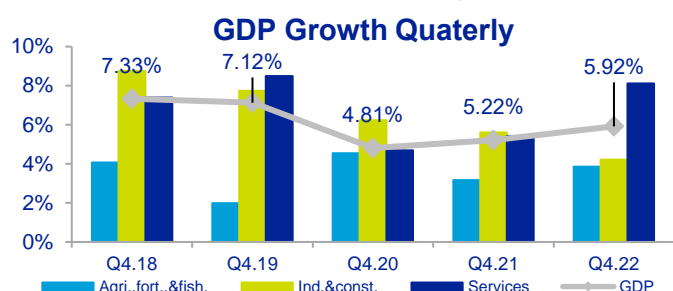
Inflation remained under control and within the government's target 4%

- CPI of 4Q2021 increased 4.41% YoY.
- Generally, CPI average in 2022 increased 3.15% compared to average 2021. In addition, average core CPI of 2022 stood at 2.59% YoY.

GDP

Vietnam's economy continued to record strong growth in 4Q2022 and posted the highest growth rate since 1997 thanks to strong domestic retail sales and exports from FDI enterprises

Vietnam's economy continued to record strong growth in fourth quarter, with 4Q GDP coming in at 5.92% (vs +5.22% in 4Q21) growth YoY, the highest rate since at least 1997 thanks to strong domestic retail sales and export from FDI. The services sector was key growth driver of 4Q2022 which posted a highest growth rate due to the recent relaxation of COVID-19 restrictions and strongly recovery of all service activities, recorded 8.12% YoY (+5.42% YoY in 4Q21). In addition, agriculture, forestry and fishery sector maintained its growth rate recorded 3.85% YoY (+3.16% YoY in 4Q21). However, industrial and construction sector showed sign of contraction which growth rate continued to slow, which reported a 4.22% YoY gain in 4Q2022 (vs 12.19% YoY in 3Q22 and +5.61% YoY in 4Q21).

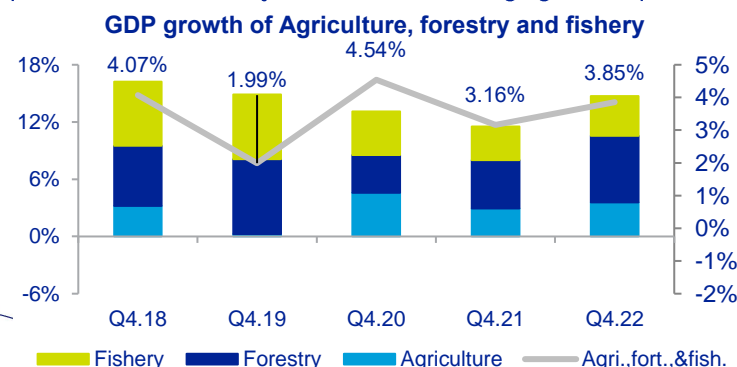


Source: GSO

The agriculture, forestry and fishery sector maintained its growth rate, which grew 3.85% in 4Q.

The agriculture sub-sector maintained stable growth which recorded a growth of 3.59% YoY (vs +2.94% YoY in 4Q21). Farmers continued to use limited fertilizers and pesticides due to high price, which also lower yields of rice crop and various perennial trees. Besides that, livestock production continued to recover but still faced difficulties due to the high price of animal feed. Forestry also continued to maintain its growth rate which grew 6.98% YoY in 4Q2022 (vs +5.07% YoY in 4Q21), mainly due to rising yields of timber harvested in conjunction with recovery of wood consumption market in which the manufacturing of wood and of products of wood recovered (+19.3% YoY in 4Q22 vs +1.2% YoY in 4Q21) & stable export (+42.4% YoY in 2022) after the COVID-19.

Furthermore, the fishery sub-sector also revived, which increased 4.16% in 4Q2022 mainly due to recovery of fishery consumption and the prices of farmed pangasius & shrimp continued to stay at a high level. However, marine fishery production faces many difficulties due to high gasoline prices.

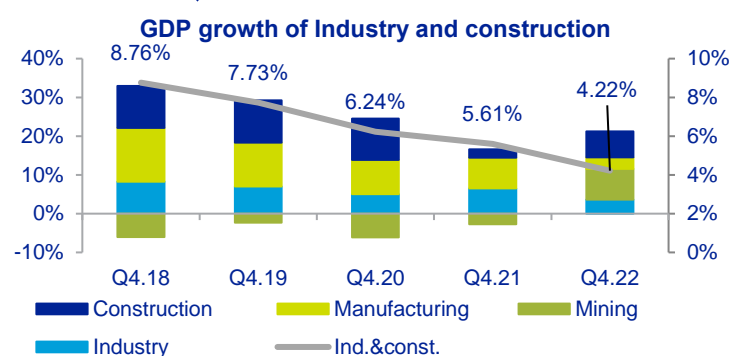


	4Q2022	4Q2021	4Q2020
Agriculture, forestry and fishery	3.85%	3.16%	4.54%
Agriculture	3.59%	2.94%	4.57%
Forestry	6.98%	5.07%	3.97%
Fishery	4.16%	3.53%	4.56%

Source: GSO

The **industry and construction sector** in 4Q2022 showed signs of contraction which recorded a growth rate of 4.22% YoY in 4Q2022 (vs. +5.61% YoY in 4Q21).

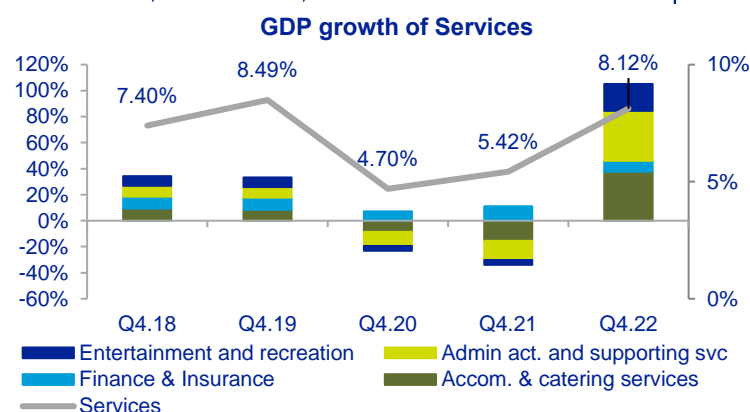
The key growth driver of this sector, the manufacturing sub-sector, slowed, which recorded only 2.98% YoY growth in 4Q22, mainly due to contraction in industrial activities across major economic and industrial areas (IIP of manufacturing increased only 3.02% YoY in 4Q2022). In addition, the construction sub-sector growth also picked up but still not return to pre-pandemic level, which increased 6.69% YoY in 4Q2022. Furthermore, the mining sub-sector also revived thanks to strong growth of crude oil & natural gas mining (+11.3% YoY in 4Q22) and metal ores mining (+15.4% YoY in 4Q22), which posted growth rate of 7.93% YoY in 4Q2022.



	4Q2022	4Q2021	4Q2020
Industry and construction	4.22%	5.61%	6.24%
Industry	3.60%	6.52%	5.05%
Mining	7.93%	-2.71%	-6.12%
Manufacturing	2.98%	7.96%	8.81%
Construction	6.69%	2.09%	10.70%

Source: GSO

The **service sector** continued to recover strongly in 4Q2022 with push from tourism in 4Q2022. Specifically, the service sector increased 8.12% YoY in 4Q2022, with admin activity & supporting service sub-sector, accommodation & catering services sub-sector, entertainment & recreation sub-sector and finance & Insurance sub-sector lead the growth which expanded over 38.32% YoY, 37.62% YoY, 20.86% YoY and 8.45% YoY respectively.



	4Q2022	4Q2021	4Q2020
Services	8.12%	5.42%	4.70%
Admin activity & supporting service	38.32%	-15.01%	-10.84%
Accommodation & catering services	37.62%	-15.33%	-8.56%
Entertainment & recreation	20.86%	-3.66%	-3.74%
Finance & Insurance	8.45%	11.23%	7.27%

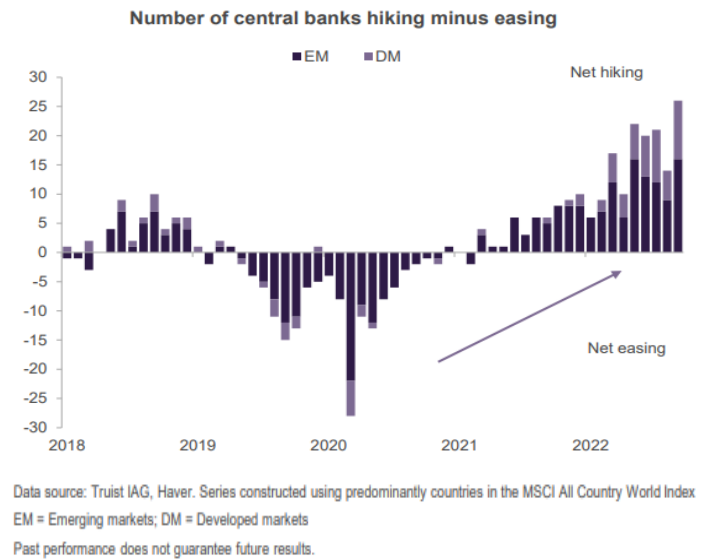
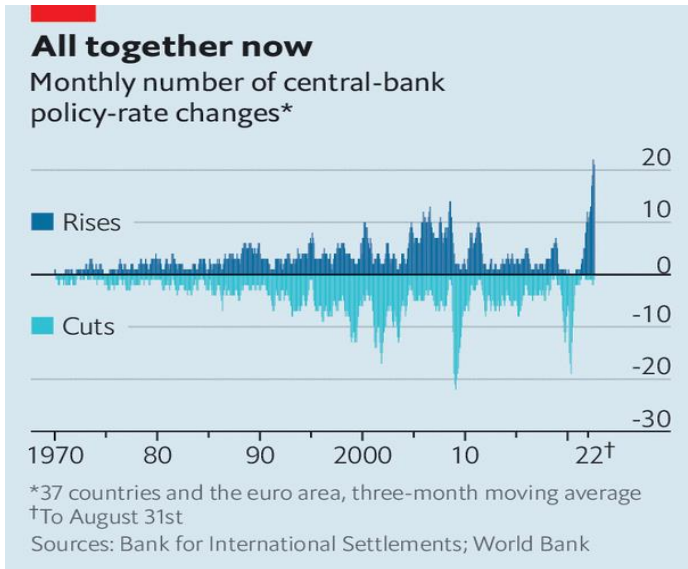
Source: GSO

Generally, GDP in 2022 rose 8.02% YoY compared to same period last year (+2.58 % YoY in 2021). In which the **agriculture, forestry and fishery sector** grew 3.36% YoY in 2022 (vs +2.90% YoY in 2021); the **industry and construction sector** recorded growth of 7.78% YoY in 2022 (vs +4.05% YoY in 2021); and the **service sector** increased 9.99% YoY in 2022 (vs +1.22% in 2021).

ANALYST COMMENT:

There are several exogenous risk factors to watch in 2023 which may bring uncertainties to Vietnam's economic growth prospects, include:

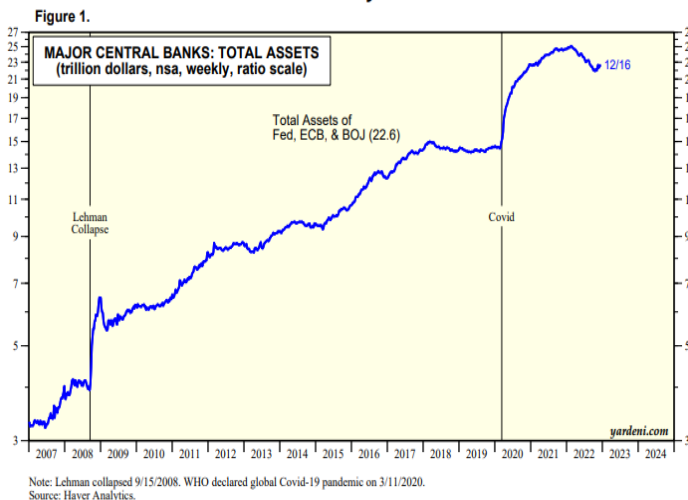
- (1) Moving to 2023, we expect that while inflationary pressures will remain in the early parts of the year, FED and other major central banks continue to raise rate as planned. And if the actions of central banks have the intended effects and inflation is brought under control, we could see neutral monetary policies in the second half as encouraging economic growth will return to the forefront of policy makers minds. Overall, we expect the high interest rate environment to continue at least until the end of 2023;



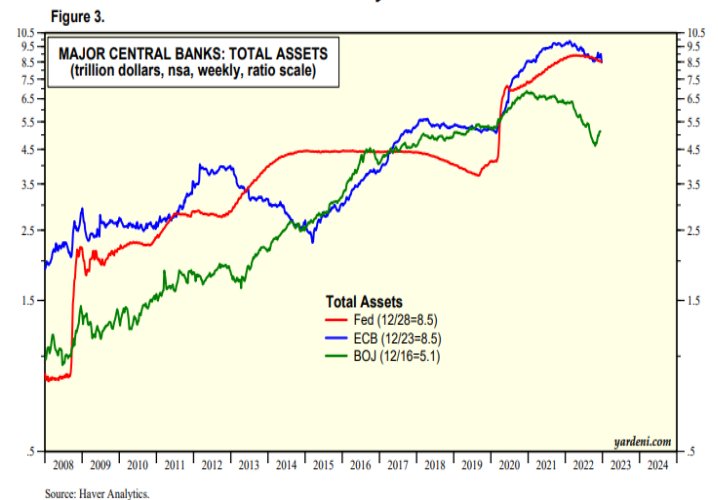
The Economist

- (2) The FED, along with the BOE and ECB are stopping reinvesting maturing assets and starting to sell assets on their balance sheet (also known as Quantitative Tightening program). Morgan Stanley, an investment bank, estimated that the balance sheets of the heaviest-hitting central banks will shrink by roughly USD4tn by the end of next year. According to new paper "How Many Rate Hikes Does Quantitative Tightening Equal?" from The Federal Reserve Bank of Atlanta's Policy Hub suggest that a \$2.2trn passive roll-off of nominal US Treasuries from the Federal Reserve's balance sheet over three years is equivalent to an increase of 29bps in the current FED funds rate in normal times, but 74bps during crisis periods. Those events will put upward pressure on rates which could be difficult to lower rates and in turn will badly affect economic growth;

Fed+ECB+BOJ in Dollars



Fed+ECB+BOJ in Dollars



- (3) Many large financial institutions (BoA, BNY Mellon, Credit Suisse, Fidelity ...) predicted that EU's economy will have a deep recession and a slow recovery .. While the US's economy facing a dilemma in which FED will continue to prioritize controlling inflation with its rate hike plan, and on the other hand, the government will put forward stimulus package to keep the economic growth momentum or at least keep the economy from falling into recession. EU and US are Vietnam's major trading partners, so production and trade activities, which are still the main growth drivers of the Vietnamese economy, are expected to slow in 2023;

Exhibit 1: Slow Growth in 2023, But Above-Consensus on the US

Real GDP Growth Percent Change yoy	2022		Annual Average 2023		2024		Q4/Q4 2023	Next 4 Quarters 2022Q4-2023Q3	Potential
	GS	Consensus	GS	Consensus	GS	Consensus	GS	GS	GS
US	1.9	1.8	1.0	0.4	1.6	1.4	1.1	0.9	1.8
Euro Area	3.3	3.1	-0.1	-0.1	1.4	1.5	0.0	-0.5	1.1
Germany	1.8	1.6	-0.6	-0.7	1.4	1.3	-0.3	-0.9	1.3
France	2.5	2.5	0.1	0.4	1.3	1.3	0.3	-0.1	1.1
Italy	3.8	3.5	-0.1	-0.1	1.3	1.2	-0.1	-0.7	0.8
Spain	4.6	4.5	0.6	1.0	2.1	2.0	0.6	0.2	1.3
Japan	1.5	1.6	1.3	1.4	1.4	1.1	1.1	1.5	0.8
UK	4.4	4.2	-1.2	-0.5	0.9	1.1	-0.8	-1.6	1.4
Canada	3.2	3.3	0.9	0.6	1.4	1.7	0.8	0.7	1.6
China	3.0	3.3	4.5	4.8	5.3	4.9	5.5	4.2	4.2
India	6.9	7.1	5.9	5.8	6.5	6.6	7.5	7.2	6.0
Brazil	2.9	2.7	1.2	0.8	2.2	1.9	1.6	1.0	1.9
Russia	-3.3	-4.0	-1.3	-3.2	1.8	1.5	0.9	0.9	1.2
World	2.9	2.9	1.8	1.8	2.8	2.6	2.4	1.8	2.6

Note: All forecasts calculated on calendar year basis. 2022-2024 are GS forecasts. Potential growth is the median of GS estimates for 2023-25 for the US, Japan and Canada, our long-run estimate for the European economies and 2023 for EM economies. IMF forecasts used for India 2023 and 2024 consensus when quarters not available in Bloomberg. The global growth aggregates use market FX country weights.

Source: Bloomberg, Goldman Sachs Global Investment Research

- (4) China is very cautious towards ending its zero-COVID strategy, however recent signs point to material moves being made to ease restrictions, including removing the quarantine requirement for inbound travelers, starting January 8, 2023, scrapping the use of the COVID tracking app and lifting domestic travel restrictions. The path to a full resumption of economic activities could take a few months with potential surging COVID infections amidst the relaxation of restrictions. These changes make travel domestically easier, keep businesses operating and allow COVID patients to quarantine at home. Given potential hiccups during the reopening phase, we expect economic activities to continue at a relatively weak pace in 1H2023, but expect strong recovery in 2H2023;
- (5) We are also keeping a keen eye on the Chinese property sector and its chances of revival as it's a key sector in the Chinese economy. There are signs that China may remove the 'three red lines' policy that has hampered the real estate sector since its introduction nearly two years ago;
- (6) The industrial activities remain in growth despite recent slowdowns (IIP slowed starting from October 2022 but overall 2022 still increased 7.8% YoY). It will be important to monitor key industrial activities in the coming months to see if the recent deterioration in some metrics (exports declining in Nov and Dec y/y, PMI falling out of expansionary territory for two consecutive months) are a temporary blip or the start of a longer trend.

However, despite fears that these events could slow Vietnam's growth prospects in 2023, we expect that Vietnam's economy could still maintain to recover and grow in 2023, supported by:

- (1) Vietnam's manufacturers remain low-cost manufacturer, stability in the macro economy and with more competitive labor costs in the region could be attractive for firms to invest and establish production plants, which in turn will push industrial activities;
- (2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub;
- (3) the trade war between US and China continued, especially in semiconductor area. And operations diversification wave of companies into other parts of Asia (including Vietnam) will continue not just to avoid the impact of the trade war but also to lower production cost;
- (4) The strong recovery of the service sector, after relaxing all COVID-19 related restrictions on service businesses, coming from (1) improvement of domestic consumption (total retail sales of goods and services 4Q22 increased 17.1% YoY and 2022 increased 19.8% YoY), (2) reopening international tourism (retail sales of travelling services 4Q22 increased 231% YoY and 2022 increased 271% YoY); (3) normalization of transportation of goods help push trading activities especially export from FDI sector; and (4) number of foreign tourists from China surge again after China reopen its economy (the number of tourists from China accounted for 40% before the COVID-19 while 2022 accounted for over 9%).
- (5) Furthermore, the fiscal and monetary stimulus package, worth VND347tn (VND291tn for fiscal package and VND56tn for monetary package), to support the socio-economic recovery and development program after the impact of the COVID-

19 only disbursed 16%, which remain around VND290tn need to disbursed in 2023. Along with Capital under State Budget needed to disbursed in 2023 (estimate to be around VND650-680tn, +29% YoY), which will push socio-economic recovery in 2023.

Overall, we estimated that Vietnam's GDP will grow in range between 5.9% - 6.4% YoY in 2023.

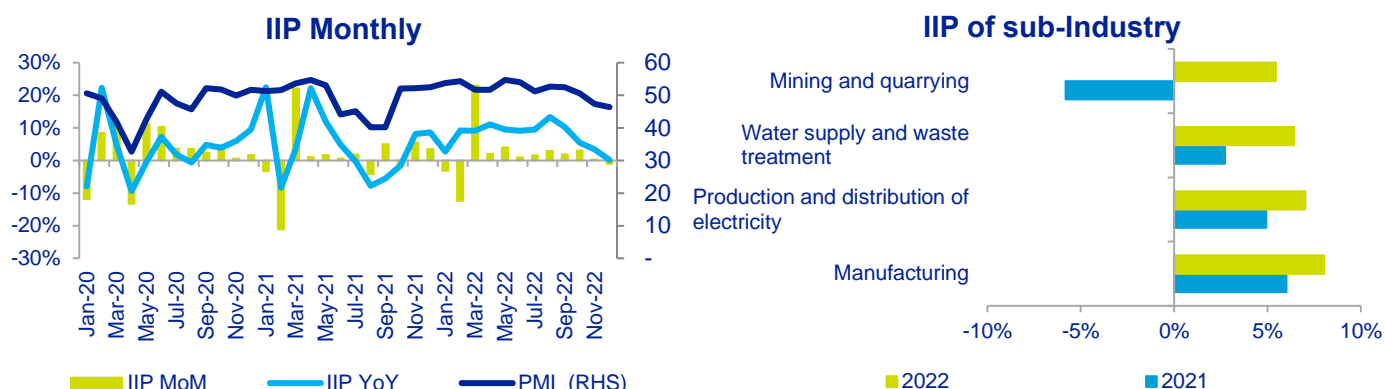
With the macro economic development of Vietnam's economy recently, we projected with 2 scenarios for GDP FY2023 with:

- (1) The positive scenario, with the hypothesis that all industrial activities will slow but not decrease in 1H2023 and start to recover in 2H2022. In addition, services sector will fully recover support by normalized transportation, rising domestic consumption and surging international tourism. Furthermore, we also assume that SBV will grant credit growth around 12-14% in 2023, CPI will be under control within government's target (4.5%) and no more benchmark interest rate hike in 2023. With these assumptions, we expect that GDP of Vietnam for **2023** will grow as high as **6.4% YoY**.
- (2) Our second scenario projected with less positive hypothesis that all industrial activities will also slow and even decrease slightly in 1H2023 and start to recover in 2H2022 but to pace of recovery will be very slow due to weak demand from our largest trading partners. In addition, we also assume that services sector will recover but not so strong as positive scenario and support by normalized transportation, stable domestic consumption and recovery international tourism. Furthermore, we also assume that SBV will grant credit growth around 10 - 12% in 2023, CPI might pick up and could go higher than government's target (4.5%) in 2023 and SBV might have to increase benchmark interest rate by 50bps in 2023. With this hypothesis we expect that GDP for **2023** will be around **5.9% YoY**



INDUSTRIAL PRODUCTION

Vietnam's industrial activities in 4Q2022 remained in growth despite recent slowdowns

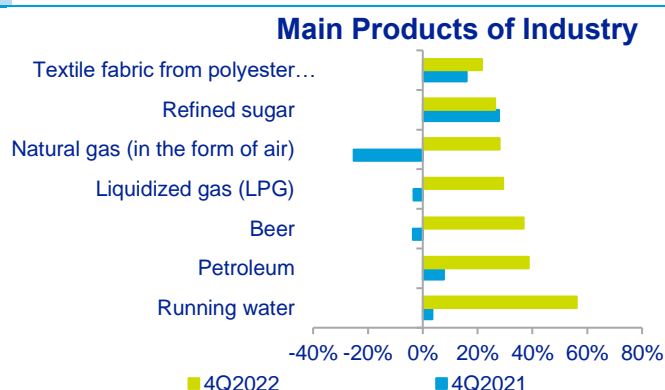
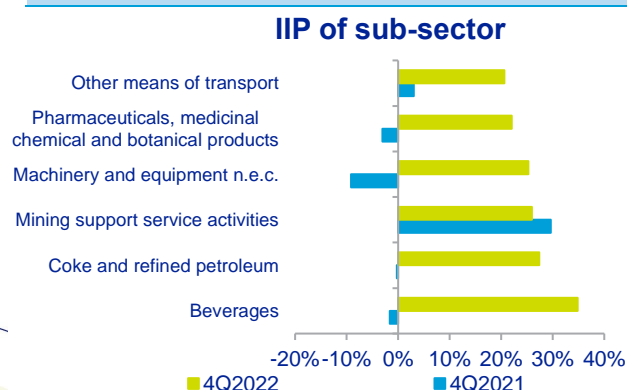


Source: GSO

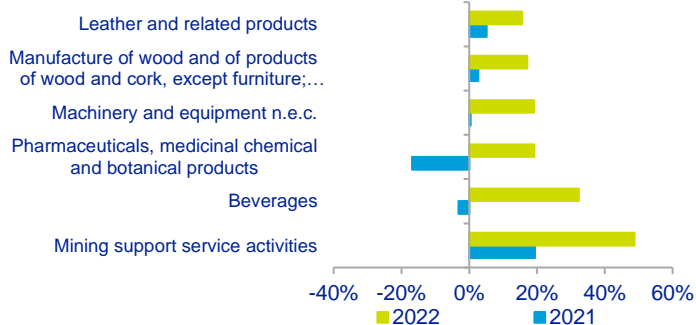
Manufacturing activities in 4Q2022 remained in growth despite recent slowdowns, in which the index of industrial production (IIP) recorded 3.02% YoY in 4Q2022, with key manufacturing IIP grew only 2.42% YoY. Production and distribution of electricity IIP and the water supply and waste treatment IIP increased 4.39% YoY and 8.92% YoY respectively in 4Q2022. Furthermore, mining IIP also posted growth rate of 7.06% YoY in 4Q2022. Growth of IIP in 4Q2022 was attributed to some sub-sectors, including manufacturing of beverages (+34.82% YoY), manufacturing of coke and refined petroleum (+27.4% YoY), mining support service activities (+25.97% YoY), manufacturing of machinery & equipment (+25.27% YoY), and manufacturing of pharmaceuticals, medicinal chemical and botanical products (+22.02% YoY).

Generally, IIP in 2022 grew 7.8%, led by manufacturing IIP with a growth of 8.0% YoY; production and distribution of electricity IIP increased 7.0% YoY; the water supply and waste treatment IIP expanded by 6.4% YoY; and mining IIP also increased 5.5% YoY. Growth of IIP in 2022 was attributed to some sub-sectors, including mining support service activities (+48.79% YoY), manufacturing of beverages (+32.3% YoY), manufacturing of pharmaceuticals, medicinal chemical and botanical products (+19.19% YoY), manufacturing of machinery and equipment (+19.08% YoY), and manufacturing of wood and of products of wood and cork (+17.15% YoY).

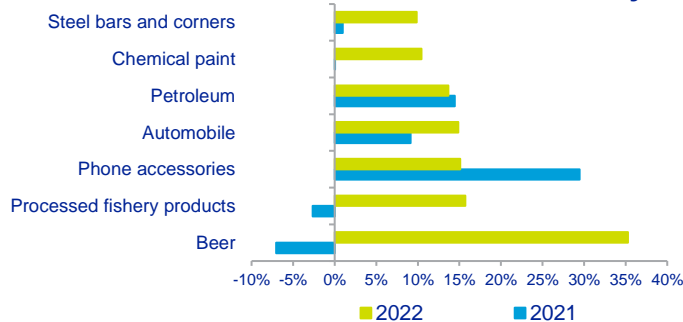
	4Q2022	4Q2021	2022	2021
IIP	3.02%	6.37%	7.76%	4.76%
Mining and quarrying	7.06%	-3.29%	5.45%	-5.81%
<i>Mining support service activities</i>	<i>25.97%</i>	<i>29.59%</i>	<i>48.79%</i>	<i>19.42%</i>
Manufacturing	2.42%	7.83%	8.04%	6.01%
<i>Manufacturing of beverages</i>	<i>34.82%</i>	<i>-1.62%</i>	<i>32.30%</i>	<i>-3.19%</i>
<i>Manufacturing of pharmaceuticals, medicinal chemical and botanical products</i>	<i>22.02%</i>	<i>-3.03%</i>	<i>19.19%</i>	<i>-16.88%</i>
<i>Manufacturing of machinery and equipment</i>	<i>25.27%</i>	<i>-9.14%</i>	<i>19.08%</i>	<i>0.37%</i>
<i>Manufacturing wood and of products of wood and cork</i>	<i>19.25%</i>	<i>1.19%</i>	<i>17.15%</i>	<i>2.69%</i>
Production and distribution of electricity	4.39%	6.33%	7.02%	4.93%
Water supply and waste treatment	8.92%	0.24%	6.43%	2.72%



IIP of sub-sector



Main Products of Industry



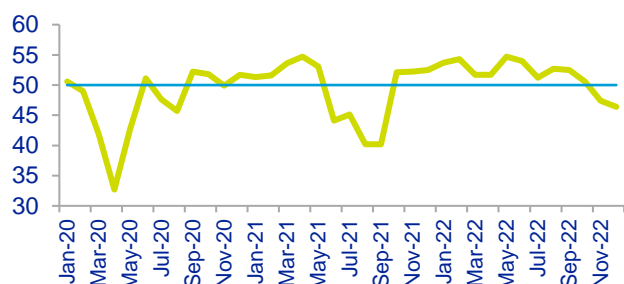
Source: GSO

Vietnam's PMI fall into contractionary territory for two consecutive months in 4Q2022

According to the PMI report October, November, and December PMI were recorded at 50.6, 47.4, and 46.4 respectively, which showed signs of industrial activities contraction in 4Q2022. The overall health of Vietnam's industrial sector continued to deteriorate in 4Q partly due to low demand from key export partners (US, EU and China). According to the PMI report, the se.

PMI ASEAN 4Q2022

PMI Vietnam



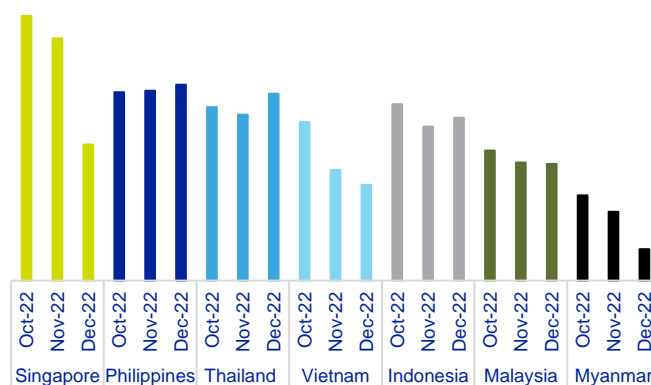
60.0

55.0

50.0

45.0

40.0



Source: HIS Markit

ANALYST COMMENT:

Industrial activities continue to slow in the 4Q2022. There are some recent challenges that Vietnam's industrial sector could face in 2023 including:

- (1) Many large financial institutions (BoA, BNY Mellon, Credit Suisse, Fidelity ...) predicted that EU's economy will have a deep recession and a slow recovery .. While the US's economy facing a dilemma in which FED will continue to prioritize controlling inflation with its rate hike plan, and on the other hand, the government will put forward stimulus package to keep the economic growth momentum or at least keep the economy from falling into recession. EU and US are Vietnam's major trading partners, so production and trade activities, which are still the main growth drivers of the Vietnamese economy, are expected to slow in 2023;
- (2) China is very cautious towards ending its zero-COVID strategy, however recent signs point to material moves being made to ease restrictions, including removing the quarantine requirement for inbound travelers, starting January 8, 2023, scrapping the use of the COVID tracking app and lifting domestic travel restrictions. The path to a full resumption of economic activities could take a few months with potential surging COVID infections amidst the relaxation of restrictions. These changes make travel domestically easier, keep businesses operating and allow COVID patients to quarantine at home. Given potential hiccups during the reopening phase, we expect economic activities to continue at a relatively weak pace in 1H2023, but expect strong recovery in 2H2023;
- (3) We are also keeping a keen eye on the Chinese property sector and its chances of revival as it's a key sector in the Chinese economy. There are signs that China may remove the 'three red lines' policy that has hampered the real estate sector since its introduction nearly two years ago;
- (4) The industrial activities remain in growth despite recent slowdowns (IIP slowed starting from October 2022 but overall 2022 still increased 7.8% YoY). It will be important to monitor key industrial activities in the coming months to see if

the recent deterioration in some metrics (exports declining in Nov and Dec y/y, PMI falling out of expansionary territory for two consecutive months) are a temporary blip or the start of a longer trend.

Fortunately, we expect that the supportive factors will continue to lift Vietnam's industrial sector in 2023 including:

- (1) Vietnam's manufacturers remain low-cost manufacturer, stability in the macro economy and with more competitive labor costs in the region could be attractive for firms to invest and establish production plants, which in turn will push industrial activities;
- (2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub;
- (3) the trade war between US and China continued, especially in semiconductor area. And operations diversification wave of companies into other parts of Asia (including Vietnam) will continue not just to avoid the impact of the trade war but also to lower production cost.

To sum up, we update our projections of expected IIP growth rate in 2023 will fall into 2 scenarios:

- (1) The first scenario, we assume that industrial activities will not get any worse in 1H2023 and will gradually recover in 2H2023. With these optimistic assumptions, we project that **IIP growth for 1H2023 and 2H2023 will be as high as 6.1% YoY and 9.3% YoY respectively**, in which **manufacturing IIP reach as high as 6.3% YoY and 10% YoY respectively**. As a result, **IIP for FY2023 will reach as high as 7.7% YoY**.
- (2) We assume in second scenario that a lot of disadvantageous factors will badly impact industrial sector in 1H2023 which will continue to slow industrial activities in 1Q2023 and starting from 2Q2023 the industrial activities might gradually recover but the momentum will be very slow. With these assumptions, we project that **IIP growth for 1H2023 and 2H2023 will be as high as 3.2% YoY and 6.2% YoY respectively**, in which **manufacturing IIP reach as high as 3.0% YoY and 6.5% YoY respectively**. As a result, **IIP for FY2023 will reach as high as 4.7% YoY**.



Trading Activities

Total trade value of Vietnam contracted in 4Q2022 as the global economy faces strong headwinds

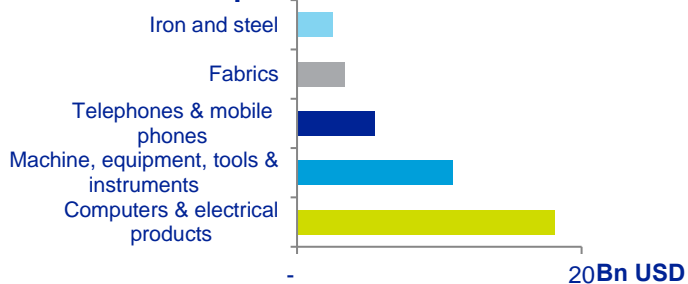
Trading activities lost momentum in 4Q2022, with year-on-year total trade value decreasing 5.2%, as the total trade value shows signs of slowing down with the global economy facing strong headwinds, especially in our large trading partners such as the US, EU and China. Specifically, according to GSO, total turnover of import-export of goods increased 5.2% YoY in 4Q2022 (vs -15.8% YoY in 4Q21), with exports in 4Q2022 reached USD89.1bn (-6.5% YoY), while imports reached to USD85.3bn (-3.81% YoY), resulting in a trade surplus of USD3.7bn in 4Q2022.

Generally, according to GSO, total export-import turnover in 2022 reached VND732.5bn (+9.6% YoY) with exports reaching USD371.9bn (+10.6% YoY) and imports USD360.7bn (+8.6% YoY). As a result, trade surplus in 2022 reached over USD11.2bn

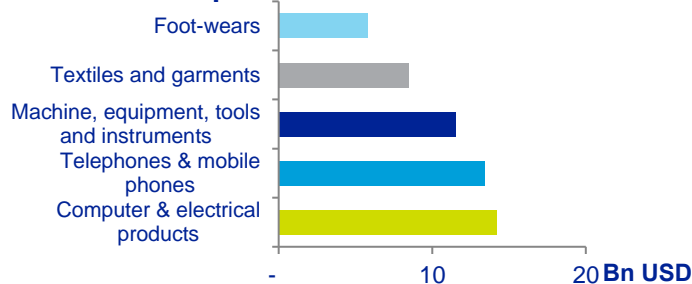
Key exports of 2022 included telephones & mobile phones; computers & electrical products; machine, equipment, tools & instruments; textiles & garments; and footwear. Meanwhile, key imports in 2022 were computers & electrical products; machine, equipment, tools & instruments; telephones & mobile phones; fabrics; and plastics.

(bn USD)	4Q2022	4Q2021	22 vs 21	2022	2021	22 vs 21
Exports	89.05	95.26	-6.52%	371.85	336.31	10.6%
Imports	85.34	88.72	-3.81%	360.65	332.23	8.6%
Net exports/imports	3.71	6.54		11.20	4.08	
Key exports						
Telephones & mobile phones	14.21	16.52	-14.0%	59.29	41.01	44.6%
Computer & electrical products	13.40	14.15	-5.3%	55.24	36.65	50.7%
Machine, equipment, tools and instruments	11.52	12.08	-4.6%	45.72	26.25	74.2%
Key imports						
Computers & electrical products	18.11	21.61	-16.2%	82.07	75.56	8.6%
Machine, equipment, tools & instruments	10.93	11.48	-4.8%	45.39	46.30	-2.0%
Telephones & mobile phones	5.43	6.62	-18.1%	21.21	21.47	-1.2%

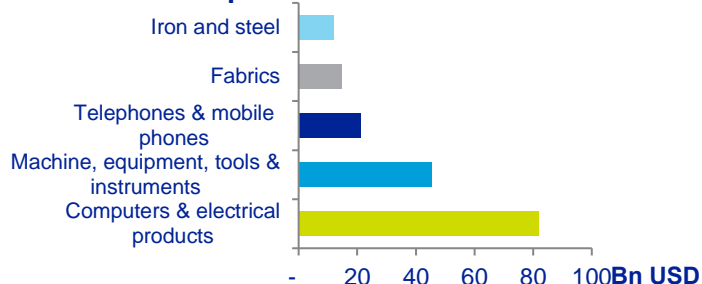
Main Import Products in 4Q2022



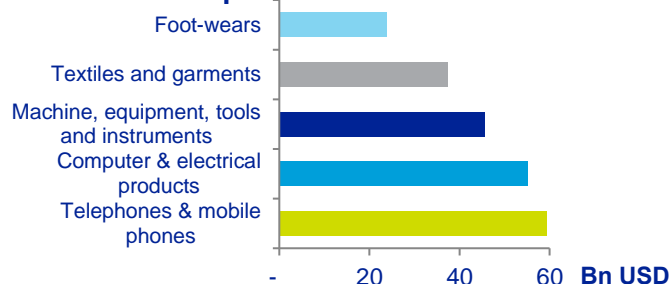
Main Export Products in 4Q2022



Main Import Products in 2022



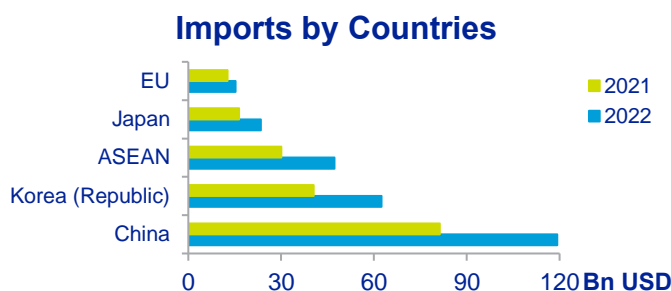
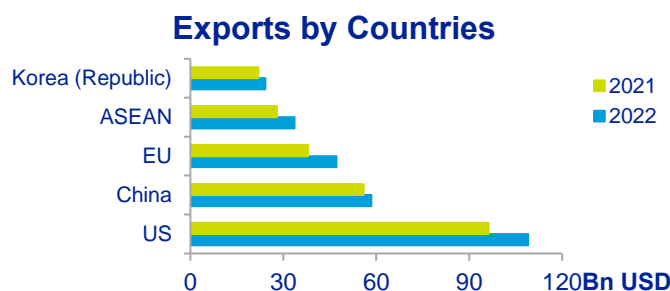
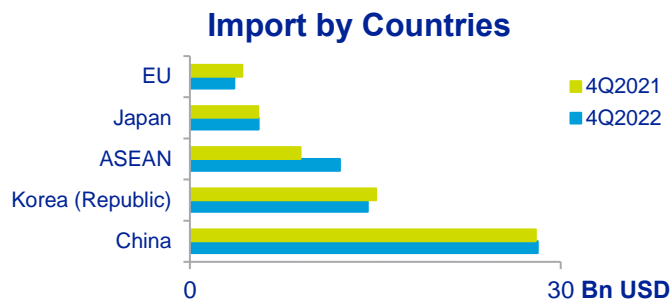
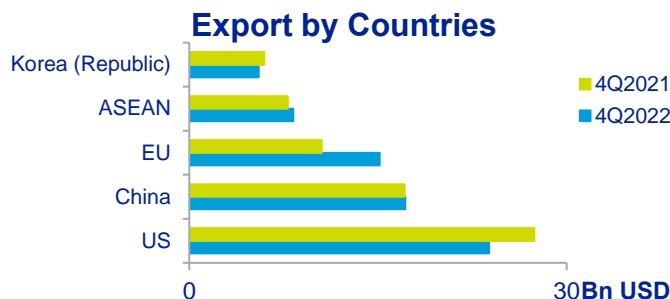
Main Export Products in 2022



Source: Custom Vietnam & GSO

In 4Q2022 the US remained the biggest export market for Vietnam with a turnover of USD23.8bn (-13.1% YoY). The second largest partner China recorded USD17.2bn (+0.3% YoY) and third largest partner EU reached USD15.1bn (+43.8% YoY). Meanwhile, China remained top importer to Vietnam in 4Q2022 with imports reaching USD28.1bn (+0.6% YoY), followed by South Korea (USD14.4bn, -4.5% YoY) and ASEAN (USD12.1bn, +35.6% YoY).

Generally, in 2022 the US remained the biggest export market for Vietnam with a turnover of USD109bn (+13.2% YoY). The second largest partner, China, recorded USD58.4bn (+4.4% YoY) and third largest partner EU reached USD47.1bn (+24.0% YoY). Meanwhile, China remained top importer to Vietnam in 2022 with import reach USD119.3bn (+46.7% YoY), followed by South Korea (USD62.5bn, +54.3% YoY) and ASEAN (USD47.2bn, +56.8% YoY).



Source: Custom Vietnam & GSO

ANALYST COMMENT:

Exports remain a key economic growth driver, following recent economic developments, there have been some recent challenges which could disrupt Vietnam's trading activities in 2023 including:

- (1) Many large financial institutions (BoA, BNY Mellon, Credit Suisse, Fidelity ...) predicted that EU's economy will have a deep recession and a slow recovery.. While the US's economy facing a dilemma in which FED will continue to prioritize controlling inflation with its rate hike plan, and on the other hand, the government will put forward stimulus package to keep the economic growth momentum or at least keep the economy from falling into recession. EU and US are Vietnam's major trading partners, so production and trade activities, which are still the main growth drivers of the Vietnamese economy, are expected to slow in 2023;
- (2) China is very cautious towards ending its zero-COVID strategy, however recent signs point to material moves being made to ease restrictions, including removing the quarantine requirement for inbound travelers, starting January 8, 2023, scrapping the use of the COVID tracking app and lifting domestic travel restrictions. The path to a full resumption of economic activities could take a few months with potential surging COVID infections amidst the relaxation of restrictions. These changes make travel domestically easier, keep businesses operating and allow COVID patients to quarantine at home. Given potential hiccups during the reopening phase, we expect economic activities to continue at a relatively weak pace in 1H2023, but expect strong recovery in 2H2023;
- (3) The industrial activities remain in growth despite recent slowdowns (IIP slowed starting from October 2022 but overall 2022 still increased 7.8% YoY). It will be important to monitor key industrial activities in the coming months to see if the recent deterioration in some metrics (exports declining in Nov and Dec y/y, PMI falling out of expansionary territory for two consecutive months) are a temporary blip or the start of a longer trend.

However, we expect that trade activities will continue to remain strong 2023 supported by key factors include:

- (1) Vietnam will continue to be an alternative manufacturing hub for manufacturers to shift production away from China amid the seemingly never-ending tensions between China & US given our investor-friendly policies, dynamic business climate, relative stable political environment, cost efficiency, and consumer demand prospects;
- (2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub;

- (3) In 2020, Russia was among the world's top exporters of non-fillet frozen fish to the EU, so the war in Ukraine and subsequent sanctions on Russian business activities could be an opportunity for Vietnam gain export's market share of Russia in the EU given EU-Vietnam Free Trade Agreement (EVFTA) with the EU.
- (4) The ongoing Russia-Ukraine conflict and export ban of major food exporters could be an opportunity for many Vietnamese agricultural products to further gain export's market share globally, especially to the UK and EU with our FTAs with EU and UK. Specifically, according to statistical report by Ministry of Industry and Trade, exports from agriculture, forestry and fishery products reached USD53.2bn in 2022 (+9.3% YoY, and 14.4% of total export turnover).

Exports, which mainly depend on manufacturing activities coming from FDI firms, remain a key economic growth driver for Vietnam. As a result, in conjunction with development of IIP growth that we projected above, we also give our expectations for trade activities with the following two scenarios:

- (1) With the first assumption of IIP of manufacturing sector in positive scenario, we expect that balance of trade could be in a surplus in **2023** as high as **USD9.5bn** in which **export and import** will increase as high as **8.7% YoY and 9.4% YoY** respectively.
- (2) In the less optimistic scenario, based on the assumptions of IIP growth in the less optimistic scenario above, we project that the balance of trade will be a surplus in **2023** as high as **USD2bn** in which **export and import** will increase as high as **6% YoY and 8.8% YoY** respectively.



Foreign Direct Investment

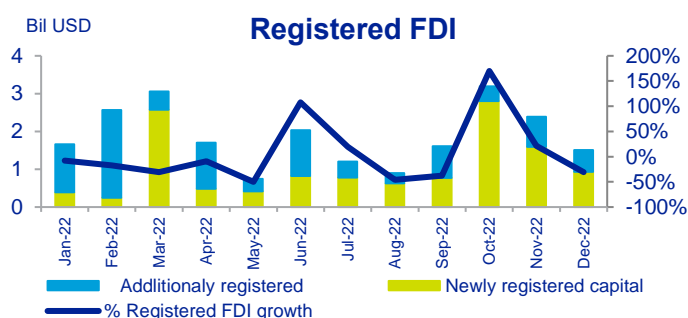
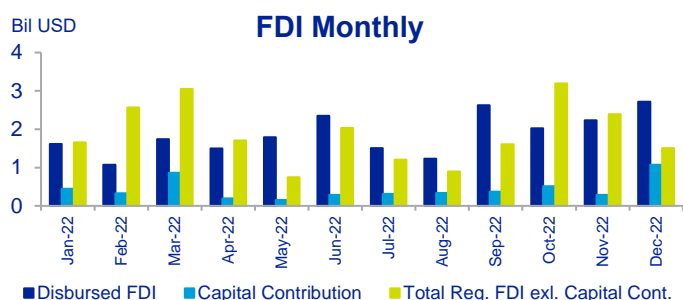
Disbursed FDI grew strongly and registered FDI recovered in 4Q2022

Disbursed FDI in Vietnam reached USD7.0bn in 4Q2022 – increasing 8.0% compared with same period last year, while registered FDI in 4Q2022 recovered and posted 33% YoY reached USD7.0bn. The capital contribution & share repurchase decreased 49% YoY to USD1.9bn in 4Q2022.

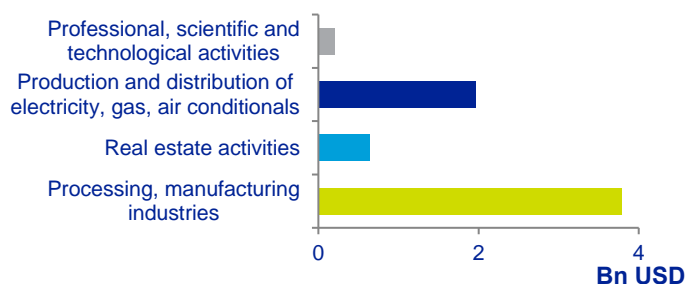
Vietnam's top 3 FDI investors registered in 4Q2022 are Japan (USD2.8bn, +395% YoY), China (USD967mn, +115% YoY) and Hong Kong (USD876mn, +133% YoY). In addition, Vietnam's top 3 registered FDI by sectors in 4Q2022 are manufacturing sector (USD3.7bn, 53.5% of total FDI registered, +6.2% YoY), production and distribution of electricity, gas, air conditionals sector (USD1.9bn, 8.7% of total FDI registered, +10x YoY), real estate activities sector (USD644mn, 2.9% of total FDI registered, +9.97% YoY).

Generally, disbursed FDI in Vietnam reached USD22.4bn in 2022 – increased 13.5% compared with same period last year, while registered FDI in 2022 reached USD22.6bn (-7.0% YoY). The capital contribution & share repurchase decreased 25.3% YoY to USD5.2bn in 2022.

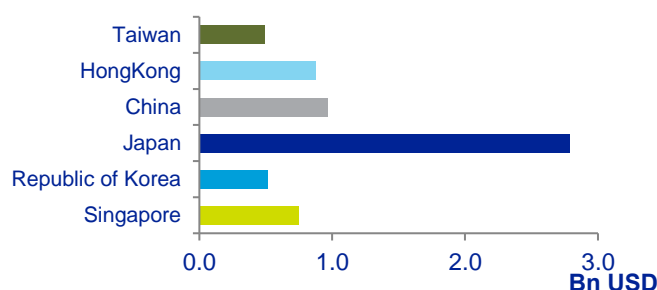
Vietnam's top 3 FDI investors registered in 2022 are Singapore (USD4.6bn, -37.1% YoY), Japan (USD4.6bn, +24.9 YoY) and Republic of Korea (USD3.9bn, -9.7% YoY). Vietnam's top 3 FDI registered by sectors in 2022 are manufacturing sector (USD15.2bn, 67% of total FDI registered, +4.1% YoY), real estate sector (USD2.9bn, 13% of total FDI registered, +75.6% YoY), production and distribution of electricity, gas, air conditionals sector (USD2.2bn, 10% of total FDI registered, -62% YoY).



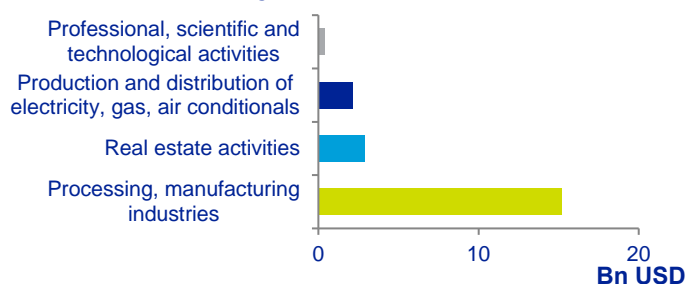
FDI by Sectors 4Q2022



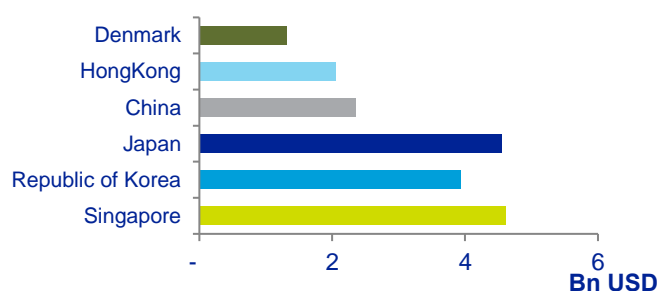
FDI by Countries 4Q2022



FDI by Sectors 2022



FDI by Countries 2022



Source: MPI

ANALYST COMMENT:

Many large financial institutions (BoA, BNY Mellon, Credit Suisse, Fidelity ...) predicted that EU's economy will have a deep recession and a slow recovery. While the US's economy facing a dilemma in which FED will continue to prioritize controlling

inflation with its rate hike plan, and on the other hand, the government will put forward stimulus package to keep the economic growth momentum or at least keep the economy from falling into recession. EU and US are Vietnam's major trading partners, so production and trade activities, which are still the main growth drivers of the Vietnamese economy, are expected to slow in 2023, thereby reducing demand for exports from Vietnam and negatively impact industrial activities of FDI firms, which in turn might slow FDI inflows (manufacturing of FDI-related products such as computer, electronic and optical products only increased 3.0% YoY in 4Q22 vs 6.7% YoY in 3Q22 and 16.2% YoY in 4Q21, and export of telephones & mobile phones and computer & electrical products also decreased 5% YoY and 14% YoY respectively compared with +14% YoY and 16% YoY respectively in 4Q21).

However, we maintain our long-term positive view of that FDI inflows will continue to flow to Vietnam, mainly due to:

- (1) Vietnam's manufacturers remain low-cost manufacturer, stability in the macro economy and with more competitive labor costs in the region could be attractive for firms to invest and establish production plants, which in turn will push industrial activities;
- (2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub;
- (3) the trade war between US and China continued, especially in semiconductor area. And operations diversification wave of companies into other parts of Asia (including Vietnam) will continue not just to avoid the impact of the trade war but also to lower production cost.
- (4) Legal and tax incentives for supporting industries related to supply of raw materials, spare parts, and components to manufacturing industries will continue to attract more foreign investors.



Retail sales of goods and services

Retail sales of goods and services continue to recover to pre-pandemic levels

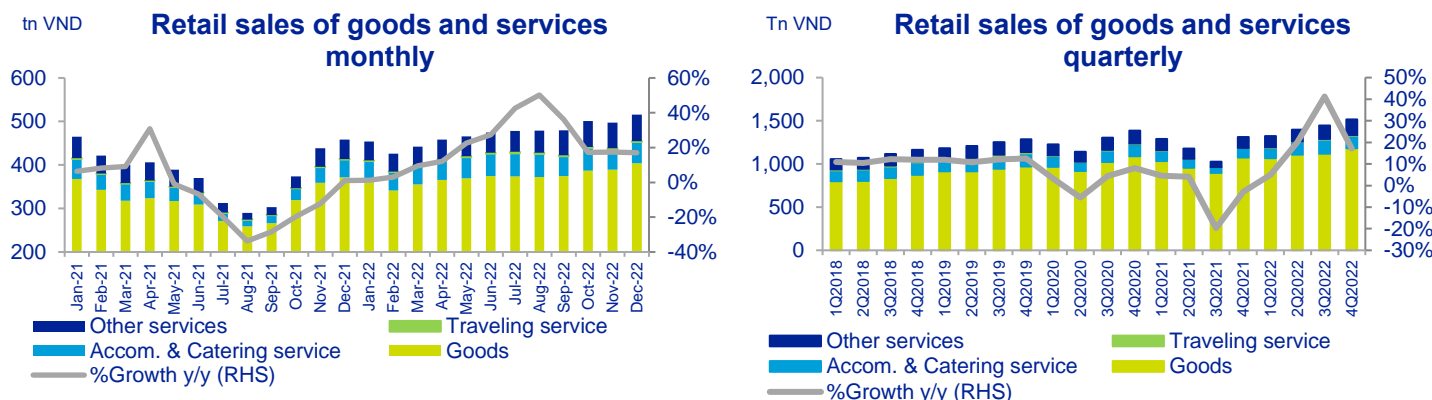
Total retail sales of consumer goods and services continued to recover strongly in 4Q2022 after all service activities resumed. Total retail sales of consumer goods and services in 4Q2022 reached VND1,514tn, increasing by 17.1% YoY (vs -2.8% YoY in 4Q21).

Revenue from retail sales of goods in 4Q2022 recovered as domestic consumption continued to revive, as a result revenue from retail sales of goods reached VND1,180tn increased 11.1% YoY in 4Q2022.

Revenue from accommodation & catering services continued to recover as demand from local people recovered and international tourists began to return to the market as Vietnam reopened for international tourism from March 15 (foreign arrivals in Viet Nam in 4Q2022 increased 4,183% YoY, equal 35% 2019 level, reach 1.7mn arrivals). Specifically, revenue from accommodation & catering services reached VND147tn, increasing 46.3% YoY in 4Q2022 (vs -19.8% YoY in 4Q21).

In addition, domestic consumption for traveling services also picked up in 4Q2022 in conjunction with revenue from foreign tourists especially around Christmas and New Year Holiday. Specifically, retail sales of traveling services reached VND6.5tn increased 231% YoY in 4Q2022 (vs -45.2% YoY in 4Q21).

Generally, total retail sales of consumer goods and services in 2022 increased 19.8% YoY, in which retail sales of traveling services recovered strongly and surged over 271.5% YoY in 2022. Retail sales of goods, accounting for over 79% of the total revenues in 2022 were estimated to be VND4,476tn, representing a rise of 14.4% YoY.



	4Q2022	4Q2021	2022	2021
Total Retail sales	17.11%	-2.83%	19.84%	-3.76%
Sale of Goods	11.05%	0.78%	14.38%	0.15%
Accom. & Catering service	46.33%	-19.84%	52.53%	-19.32%
Traveling service	231.50%	-45.21%	271.50%	-59.90%
Other services	41.23%	-12.71%	36.39%	-16.83%

Source: GSO

ANALYST COMMENT:

Retail sales of goods and services in 4Q2022 increased compared with 4Q21 but decreased compared with 3Q22 which signal cautious consumer spending given the forecast squeeze on budgets as we saw contractionary of major industrial activities in 4Q2022. There have been some recent challenges which we think could disrupt Vietnam's retail sale recovery in 2023 including:

- (1) Many large financial institutions (BoA, BNY Mellon, Credit Suisse, Fidelity ...) predicted that EU's economy will have a deep recession and a slow recovery .. While the US's economy facing a dilemma in which FED will continue to prioritize controlling inflation with its rate hike plan, and on the other hand, the government will put forward stimulus package to keep the economic growth momentum or at least keep the economy from falling into recession. EU and US are Vietnam's major trading partners, so production and trade activities, which are still the main growth drivers of the Vietnamese economy, are expected to slow in 2023, thereby those effects will reduce demand for consumer spending and negatively impact retail sale especially accommodation & catering services and traveling services;
- (2) China is very cautious towards ending its zero-COVID strategy, however recent signs point to material moves being made to ease restrictions, including removing the quarantine requirement for inbound travelers, starting January 8, 2023, scrapping the use of the COVID tracking app and lifting domestic travel restrictions. The path to a full resumption of economic activities could take a few months with potential surging COVID infections amidst the

relaxation of restrictions. These changes make travel domestically easier, keep businesses operating and allow COVID patients to quarantine at home. As a result, revenue from Chinese tourists might be weak in 1H2023, but we expect strong push from Chinese tourists in 2H2023.

However, we expect that revenue of retail sales will continue to recover in 2023, supported by:

- (1) The strong recovery of the service sector, after relaxing all COVID-19 related restrictions on service businesses, coming from (1) improvement of domestic consumption (total retail sales of goods and services 4Q22 increased 17.1% YoY and 2022 increased 19.8% YoY), (2) reopening international tourism (retail sales of travelling services 4Q22 increased 231% YoY and 2022 increased 271% YoY); (3) normalization of transportation of goods help push trading activities especially exports from the FDI sector; and (4) number of foreign tourists from China surge again after China reopen its economy (the number of tourists from China accounted for 40% before the COVID-19 while 2022 accounted for over 9%).
- (2) Vietnam's manufacturers remain low-cost manufacturer, stability in the macro economy and with more competitive labor costs in the region could be attractive for firms to invest and establish production plants in conjunction with a long list of Free Trade Agreements (FTAs) achieved to date, which in turn will help push and maintain industrial activities in 2023.

We also give our projection for retail sales growth in two scenarios in 2023:

- (1) In the first scenario, we assume that our domestic consumption will continue to maintain strength, supported by high demand for goods and services in 2023 and strong additional consumption both for accommodation & catering services and traveling services coming from foreign visitors after reopening international tourism and China's reopen for its citizen to move outside of China. With this scenario, we project that total retail sales will grow around **11% YoY for both 1H2022 and 2H2023** and total **FY2023** will grow as high as **11.5% YoY**.
- (2) Second scenario we assume that our domestic consumption will slow causing by weak economy and additional consumption coming from foreign visitors are could not reach pre-pandemic level due to contraction global economic. With this scenario, we project that total retail sales will grow as high as **9.6% for FY2023**.



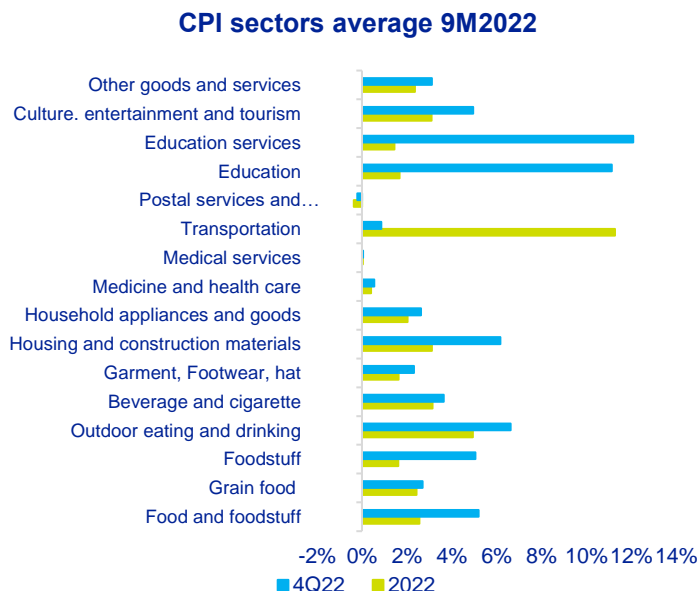
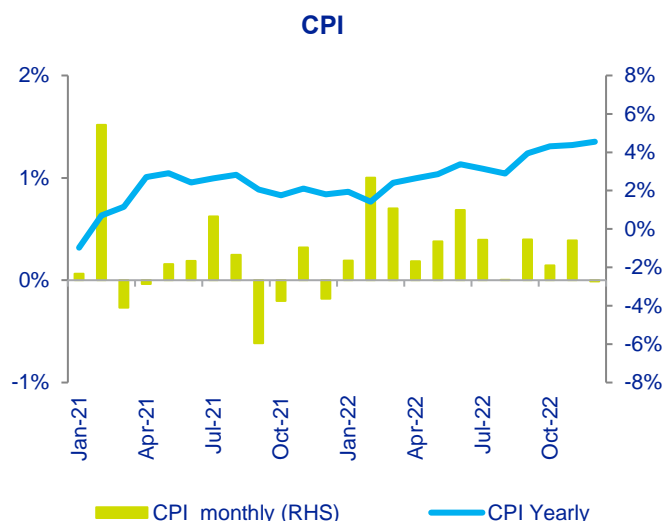
Consumer Price Index

Inflation remained under control, and still far below government's target 4%

CPI of 4Q2022 increased 4.41% YoY mainly due to rising of education category (+11.13% YoY), housing and construction materials category (+6.17% YoY) and food and catering services category (+5.19% YoY). Generally, CPI average in 2022 increased 3.15% compared to average 2021 due to:

- (1) Transportation category increased the most at 11.3% YoY, mainly due to 28% YoY upward adjustment of domestic retail gasoline prices. In addition, due to rising gasoline prices, airfares in 2022 increased by 27.58% YoY, train fares increased by 10.96% YoY and passenger car fare increased by 12.15% which also affect transportation category;
- (2) Food and catering services category increased 2.6% YoY, mainly due to several food prices increased by 1.62% YoY. However, due to falling pork price (-10.7% YoY) help eased upward pressure for this category compared with 2021;
- (3) Grain food sub-sector increased 2.4% YoY mainly due to a rise in rice prices (+1.22% YoY).
- (4) Outdoor eating and drinking category increased 4.9% YoY mainly due to rising demand, higher retail cooking gas price (+11.49% YoY) and higher transportation fees due to rising gasoline prices;
- (5) Education category increased 1.7% mainly due to a 1.4% YoY rise in the education services fee; and
- (6) Housing and construction materials category increased 3.1% YoY, mainly due to the retail cooking gas price increase of over 11.49% YoY and home maintenance materials (steel, cement, ...) price increased.

In addition, average core CPI of 2022 stood at 2.59% YoY.



Source: GSO

ANALYST COMMENT:

Vietnam's inflation still maintained a relatively low growth rate as average CPI for 2022 stood at 3.15% YoY. However, we expect that some challenges which we think could put upward pressure on CPI in 2023:

- (1) In 2023, high inflation expectation from 2022 will be reflected in price of several services such as eating and drinking out door services which keep rising over 4Q2022 and reached 6.63% in 4Q2022;
- (2) In addition, electricity and water fees are also expected to increase around 5% in 2023 after unchanged throughout 2 years of pandemic;
- (3) Furthermore, as national assembly has approved, the base salary will increase to VND1.8mn (+20% compared with last base salary VND1.5mn) from July 1, 2023. When this base salary increases, we expect that several government services such as education services and medical services will increase. As a result, we expect these upward pressures will be weighted on CPI in 2023;
- (4) China is very cautious towards ending its zero-COVID strategy, however recent signs point to material moves being made to ease restrictions, including removing the quarantine requirement for inbound travelers, starting January 8, 2023, scrapping the use of the COVID tracking app and lifting domestic travel restrictions. The path to a full resumption of economic activities could take a few months with potential surging COVID infections amidst the

relaxation of restrictions. These changes make travel domestically easier, keep businesses operating and allow COVID patients to quarantine at home. Given potential hiccups during the reopening phase, we expect economic activities to continue at a relatively weak pace in 1H2023, but expect strong recovery in 2H2023. As a result, we also expect some upward pressure from rising commodity prices due to China's reopening economy in 2H2023.

However, in upcoming months several exogenous factors could help maintain CPI under control in FY2023:

- (1) We expect supportive moves from government to curtail high gasoline prices in conjunction with reducing oil prices and most commodity prices globally recently will help lower inflation in 1H2023;
- (2) The VAT rate will return to 10% from January 1st, 2023 (the rate was reduced temporally to 8% as a part of the COVID stimulus package). We expect the return to a normalized VAT rate will have a negligible affect on inflationary pressures as the temporary reduction was not applicable to many daily expenses, that are subject to 0-5% VAT rates, including basic foodstuffs, transport, medical equipment, agricultural production and services, exports and associated services, fertilizers and animal feed;
- (3) The DXY – or dollar index – a measure of the USD's strength relative to a basket of its main rival's currencies, peaked and was on the down trend as FED will stop increase interest rate in 2H2023. So we expect this could help reduce upward pressure to CPI of Vietnam in 2023, especially in 2H2023 as we import a lot of raw materials and a weak USD could decrease import costs and ease upward pressure on our CPI; and
- (4) As several report from big investment banks (JP Morgan, Morgan Stanley, ...), oil price won't have any major jump in 1H2023 even with China reopening economy in 1H2023. But we could see some volatility in 2H2023 as we expect US and EU economy might recover and China economy will actually reopen. So we expect that oil price, specifically our domestic gasoline price will remain stable in 1H2023 but might volatile a little bit in 2H2023. Overall, oil price will have a little impact on CPI in 2023.

Overall, we expect that Vietnam's CPI remain within Government's target of 4.5% for FY2023. We expect **CPI for FY2023** will increase in range of **3.1% - 4.5%**.

Macro Forecast Summary

Favourable Scenario

Key Assumption:

+ Economic growth slow in 1H2023 and pick up in 2H2023

- Agriculture, forestry and fishery sector remain stable in 2023.
- Industrial activities will not contract more in 1H2023 and will recover in 2H2023.
- Services sector fully recover to pre-pandemic level support by normalized transportation, domestic consumption and surging international tourism.
- Inflation lower than government's target of 4.5%.

+ Fiscal Policy: disbursement rate reach around 80-90%

- Fiscal and monetary stimulus package worth VND337tn especially the developing infrastructure package (VND113.85tn).
- Capital under State Budget needed to disbursed in 2023 (estimate to be around VND650-680tn, +29% YoY).

+ Monetary Policy:

- SBV will grant normal credit growth quota in 2023 (12-14%).
- Monetary policy tends to be neutral in 1H2023 and might loosen in 2H2023.
- SBV might not raise its benchmark interest rates in 2023.

+COVID-19: no major outbreak in major cities.

GDP	IIP	Ex and Im	FDI	Retail Sales	CPI
FY2023	FY2023	FY2023	FY2023	FY2023	FY2023
%	%	Bn USD	Bn USD	%	%
6.4%	7.6%	Im: 395 Ex: 404 Net Ex: 9	Disbursed: 25.8 Registered: 24.8	11.3%	3.1%

Less Favourable Scenario

Key Assumption:

+ Economic contract in 1H23 and slowly recover in 2H2023

- Agriculture, forestry and fishery sector remain stable in 2023.
- Industrial activities will contract more in 1H2023 and will gradually recover in 2H2023 but slow.
- Services sector could not fully recover to pre-pandemic level due to global economic headwinds.
- Inflation will reach government's target of 4.5%.

+ Fiscal Policy: Slow disbursement

- Fiscal and monetary stimulus package worth VND337tn especially the developing infrastructure package (VND113.85tn).
- Capital under State Budget needed to disbursed in 2023 (estimate to be around VND650-680tn, +29% YoY).

+ Monetary Policy:

- SBV will lower credit growth quota in 2023.
- Monetary policy tends to remain tighten in 1H2023 and could be neutral in 2H2023.
- SBV might raise its benchmark interest rates toward yearend by about 0.5 percentage point (50 bps).

+COVID-19: minor outbreak in major cities.

GDP	IIP	Ex and Im	FDI	Retail Sales	CPI
FY2023	FY2023	FY2023	FY2023	FY2023	FY2023
%	%	Bn USD	Bn USD	%	%
5.9%	4.7%	Im: 392 Ex: 394 Net Ex: 1.6	Disbursed: 24.6 Registered: 23.7	9.6%	4.5%

Economic data - Vietnam

Monthly data	Jan-22	Feb-22	Mar-22	Apr-22	May-22	June-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Industrial Production (YoY)	2.8%	9.2%	9.1%	11.1%	9.5%	9.1%	9.5%	13.3%	10.3%	5.5%	3.5%	0.2%
<i>Mining and quarrying</i>	-1.7%	2.2%	7.5%	7.9%	3.9%	5.1%	-2.8%	7.5%	14.9%	12.1%	16.8%	-5.1%
<i>Manufacturing</i>	2.9%	9.7%	9.7%	11.7%	11.0%	9.9%	11.1%	14.1%	9.6%	4.4%	2.3%	0.6%
<i>Production and distribution of electricity</i>	5.2%	11.9%	6.5%	8.6%	2.3%	5.5%	6.2%	12.3%	16.4%	9.3%	2.7%	1.3%
<i>Water supply and waste treatment</i>	4.1%	4.3%	-4.6%	2.7%	9.4%	6.3%	12.1%	5.9%	9.1%	14.4%	7.0%	5.5%
Purchasing Managers Index	53.7	54.3	51.7	51.7	54.7	54.0	51.2	52.7	52.5	50.6	47.4	46.4
Retail Sales (YoY)	1.26%	3.09%	9.44%	12.10%	22.55%	27.31%	42.63%	50.19%	36.11%	17.15%	17.46%	17.13%
Consumer Price Index (MoM)	0.19%	1.00%	0.70%	0.18%	0.38%	0.69%	0.4%	0.0%	0.4%	0.1%	0.4%	0.0%
Consumer Price Index (YoY)	1.94%	1.42%	2.41%	2.64%	2.86%	3.37%	3.1%	2.9%	3.9%	4.3%	4.4%	4.5%
Export Value (USDmn)	30,845	23,417	34,061	33,317	30,918	32,843	30,607	34,918	29,940	30,369	29,020	29,660
Import Value (USDmn)	29,449	25,381	32,672	32,468	32,616	32,233	30,533	31,059	28,800	27,903	28,277	29,160
Trade Balance (USDmn)	1,395	(1,964)	1,389	849	(1,698)	611	74	3,859	1,140	2,467	742	500
Disbursed FDI (USDmn)	1,612	1,068	1,740	1,500	1,790	2,350	1,510	1,230	2,628	2,022	2,230	2,720
Registered FDI excl Cap. Cont.(USDmn)	1,658	2,568	3,054	1,706	742	2,032	1,203	899	1,610	3,197	2,390	1,510

Quarterly data	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
GDP (YoY)	4.48%	6.61%	-6.17%	5.22%	5.05%	7.72%	13.67%	5.92%
<i>Agriculture, Forestry and Fishing</i>	3.16%	4.11%	1.04%	3.16%	2.53%	3.02%	3.24%	3.85%
<i>Industry and Construction</i>	6.30%	10.28%	-5.02%	5.61%	6.41%	8.87%	12.91%	4.22%
<i>Services</i>	3.34%	4.30%	-9.28%	5.42%	4.64%	8.56%	18.86%	8.12%
Industrial Production (YoY)	5.70%	13.01%	-4.36%	6.37%	9.09%	9.81%	10.94%	3.020%
Retail Sales (YoY)	5.10%	5.10%	-28.27%	-2.83%	4.98%	20.11%	41.24%	17.11%
Export Value (YTD) (USDmn)	77,344	157,630	240,524	336,250	88,579	96,832	95,343	89,049
Import Value (YTD) (USDmn)	75,308	159,103	242,655	332,250	87,770	97,581	89,980	85,340
Trade Balance (USDmn)	2,036	(1,473)	(2,131)	4,000	890	(750)	5,363	3,709
Disbursed FDI (USDmn)	4,100	5,140	5,259	6,460	4,420	5,640	5,368	6,972
Registered FDI (USDmn)	9,235	4,340	4,040	5,336	7,280	4,480	3,713	7,097

Yearly data	2014	2015	2016	2017	2018	2019	2020	2021	2022	F2023
GDP	5.98%	6.68%	6.21%	6.81%	7.08%	7.02%	2.91%	2.58%	8.02%	5.9% - 6.4%
Industrial Production	7.6%	9.8%	7.5%	11.3%	10.2%	8.9%	3.4%	4.8%	7.8%	4.7% - 7.6%
Retail Sales	12%	11%	11%	10%	11.7%	12.0%	2.62%	-2.83%	19.83%	9.6% - 11.3%
Consumer Price Index	4.1%	0.6%	2.7%	3.5%	3.5%	2.8%	3.23%	-3.8%	3.2%	3.1%-4.5%
Export Value (YTD) (USDmn)	150,042	162,439	175,942	213,770	244,723	264,341	281,471	336,311	371,850	394,000 - 404,000
Import Value (YTD) (USDmn)	148,058	165,609	173,262	211,096	237,512	253,919	262,407	332,235	360,650	392,000 - 395,000
Trade Balance (USDmn)	1,984	(3,170)	2,680	2,674	7,211	10,400	19,064	4,076	11,200	1,600 - 9,000
Disbursed FDI (USDbn)	12.35	14.50	15.80	17.50	19.10	20.38	19.98	19.74	22.40	24.6 - 25.8
Registered FDI (USDbn)	21.92	22.76	24.37	35.88	35.47	22.55	21.06	24.26	22.57	23.7-24.8

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