

## The State Bank of Vietnam (SBV) announced the adjustment of several key interest rates effective from May 25, 2023

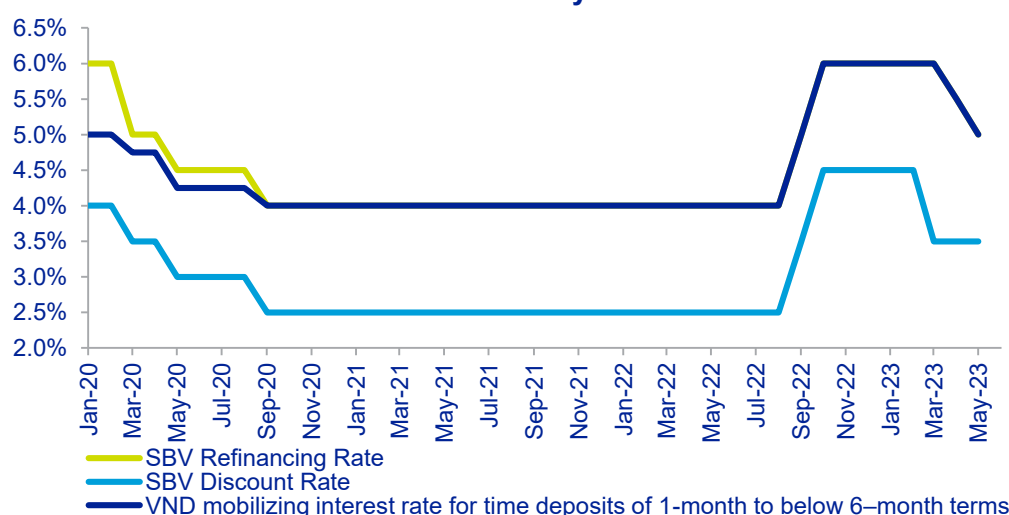
The SBV has issued series of Decisions dated 23/05/2023 on adjusting some key interest rates applicable from May 25, 2023. Accordingly:

- SBV issued **Decision No.950/QĐ-NHNN** dated 23/05/2023 in which **refinancing rate** will **decline from 5.5% p.a to 5.0% p.a**; the **overnight interest rate in the inter-bank electronic payment and the rate of loans to finance short balances in clearing transactions between SBV and commercial banks** will also **decline from 6.0% p.a to 5.5% p.a**; the **discount rate will remain at 3.5% p.a**;
- SBV issued **Decision No.951/QĐ-NHNN** dated 23/05/2023 stipulating the caps for VND mobilizing interest rates applied for entities and individuals' deposits at the credit institutions as stipulated in Circular No. 07/2014/TT-NHNN dated March 17, 2014. Accordingly, the maximum VND mobilizing **interest rate for demand and below 1-month terms** will remain at **0.5% p.a**; the maximum VND mobilizing **interest rate for time deposits of 1-month to below 6-month terms** decreases **from 5.5% p.a to 5.0% p.a**; the maximum VND mobilizing **interest rate for time deposits of 1-month to below 6-month terms at the People's Credit Funds and the Micro Finance Institutions** is lowered from **6.0% p.a to 5.5% p.a**; the mobilizing interest rates for 6-month plus terms may be **decided by the credit institution** based on the capital supply and demand in the market.

### Interest rates summary:

	Previous (p.a)	Updated (p.a)
<b>Refinancing rate</b>	5.5%	5.0%
<b>Discount rate</b>	3.5%	3.5%
<b>The overnight interest rate in the inter-bank electronic payment</b>	6.0%	5.5%
<b>VND mobilizing interest rate</b>		
<i>for demand and below 1-month terms</i>	0.5%	0.5%
<i>for time deposits of 1-month to below 6-month terms</i>	5.5%	5.0%
<i>for time deposits of 1-month to below 6-month terms at the People's Credit Funds and the Micro Finance Institutions</i>	6.0%	5.5%

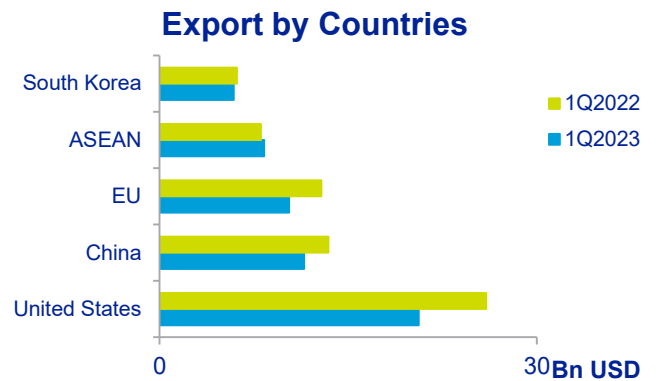
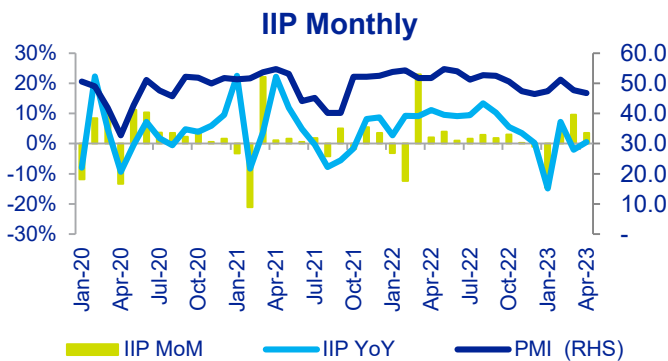
### SBV key interest rates



## What does the recent SBV rate adjustment mean to Vietnam?

In my opinion, reducing interest rates is not a sufficient condition but only a necessary condition to push Vietnam's economic growth. As manufacturing and consumption are the two important sectors of Vietnam's economy, and at the present both sides faced reducing demand. As a result, people do not have the need to borrow more for consumption and businesses also do not have intention to borrow to expand production. Therefore, reducing interest rates may not have much impact without an increase in demand for manufacturing and consumption.

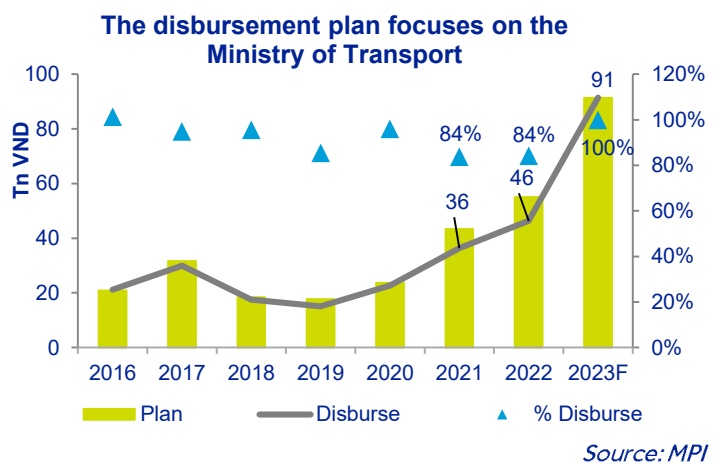
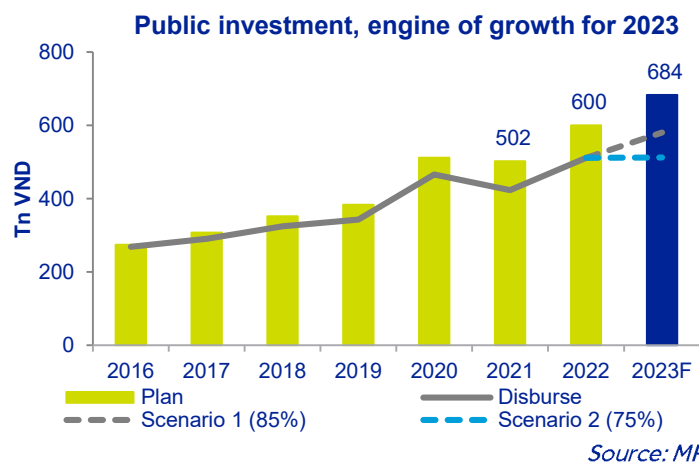
Our manufacturing sector mainly depend on large trading partner such as US, EU, Japan and South Korea. So we might have to wait for demand from those countries pickup. In addition, when the manufacturing sector revive, our domestic consumption will recover. Those above will be the sufficient condition for pushing Vietnam's economic growth in 2023.



In addition, recently government intervention to help revive domestic consumption through various policy such as Decree 12/2023/NĐ-CP extent deadlines for submitting value-added tax, corporate income tax, personal income tax, and land rental fees in 2023 and proposed to decrease the value-added tax (VAT) from 10% to 8% for all goods and services. We believe those policies will help offset reduction in domestic consumption.

Furthermore the government has put supportive policies to real estate sector and corporate bond, which is expected to boost growth and free up capital flows.

Last but not least, government intend to push public investment in 2023 which also a lift for Vietnam' economic growth in 2023.



**Analyst, Research Department**  
**Minh Trinh Viet**  
[minhtvh@acbs.com.vn](mailto:minhtvh@acbs.com.vn)

## CONTACTS

### Ho Chi Minh City Head Office

Leman, 117 Nguyen Dinh Chieu, Dist. 3, Ho Chi Minh City  
Tel: (+84 28) 7300 7000

### Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi  
Tel: (+84 24) 3942 9395  
Fax: (+84 24)3942 9407

## RESEARCH DEPARTMENT

### Manager– Property

**Truc Pham**  
(+84 28) 7300 7000 (x1043)  
[trucptt@acbs.com.vn](mailto:trucptt@acbs.com.vn)

### Manager– Financials

**Hung Cao**  
(+84 28) 7300 7000 (x1049)  
[hungcv@acbs.com.vn](mailto:hungcv@acbs.com.vn)

### Associate – Consumer-related, Technology

**Chi Luong**  
(+84 28) 7300 7000 (x1042)  
[chiltk@acbs.com.vn](mailto:chiltk@acbs.com.vn)

### Associate– Oil & Gas

**Hung Phan**  
(+84 28) 7300 7000 (x1044)  
[hungpv@acbs.com.vn](mailto:hungpv@acbs.com.vn)

### Associate – Consumer-related, Media

**Trung Tran**  
(+84 28) 7300 7000 (x1045)  
[trungtn@acbs.com.vn](mailto:trungtn@acbs.com.vn)

### Associate – Construction materials

**Huy Huynh**  
(+84 28) 7300 7000 (x1048)  
[huyha@acbs.com.vn](mailto:huyha@acbs.com.vn)

### Associate – Energy

**Toan Pham**  
(+84 28) 7300 7000 (x1051)  
[toanpd@acbs.com.vn](mailto:toanpd@acbs.com.vn)

### Associate –Macro

**Hoa Nguyen**  
(+84 28) 7300 7000 (x1050)  
[hoant@acbs.com.vn](mailto:hoant@acbs.com.vn)

### Associate – Macro

**Minh Trinh Viet**  
(+84 28) 7300 7000 (x1046)  
[minhtvh@acbs.com.vn](mailto:minhtvh@acbs.com.vn)

### Associate – Technical

**Puoc Luong**  
(+84 28) 7300 7000 (x1047)  
[puocld@acbs.com.vn](mailto:puocld@acbs.com.vn)

### Analyst – Technical

**Huu Vo**  
(+84 28) 7300 7000 (x1052)  
[huvvp@acbs.com.vn](mailto:huvvp@acbs.com.vn)

### Director – Institutional sales

**Huong Chu**  
(+84 28) 7300 7000 (x1083)  
[huongctk@acbs.com.vn](mailto:huongctk@acbs.com.vn)

### Customer Support Institutional Client

**Thanh Le**  
(+84 28) 7300 7000 (x1089)  
[thanhln@acbs.com.vn](mailto:thanhln@acbs.com.vn)

### Trader

**Huynh Nguyen**  
(+84 28) 7300 7000 (x1088)  
[huynhntn@acbs.com.vn](mailto:huynhntn@acbs.com.vn)

### Trader

**Thanh Tran**  
(+84 28) 7300 7000 (x1085)  
[thanhtt@acbs.com.vn](mailto:thanhtt@acbs.com.vn)

### Trader

**Thao Nguyen**  
(+84 28) 7300 7000 (x1087)  
[thaont@acbs.com.vn](mailto:thaont@acbs.com.vn)

### Trader

**Dung Ly**  
(+84 28) 7300 7000 (x1084)  
[dungln.hso@acbs.com.vn](mailto:dungln.hso@acbs.com.vn)

### Trader

**Nhi Nguyen**  
(+84 28) 7300 7000 (x1086)  
[nhinp@acbs.com.vn](mailto:nhinp@acbs.com.vn)

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