

MACRO UPDATE October 2023

SLOW BUT STEADY

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MAIN TAKEAWAYS

GLOBAL ECONOMIC THEMES

- US economy remains strong, and the possibility of raising interest still exists, although it has faded.
- China's economy recovered slightly, but at slow pace.
- Inflation in the US and EU is likely to remain persistently high.
- While China seems to be falling into deflation.
- 2024 prospects for global growth was revised down with many rising headwinds.
- manufacturing sector is facing some challenges but still show improvement.
- Global trade has hit the bottom.

VIETNAM MACRO INSIGHTS

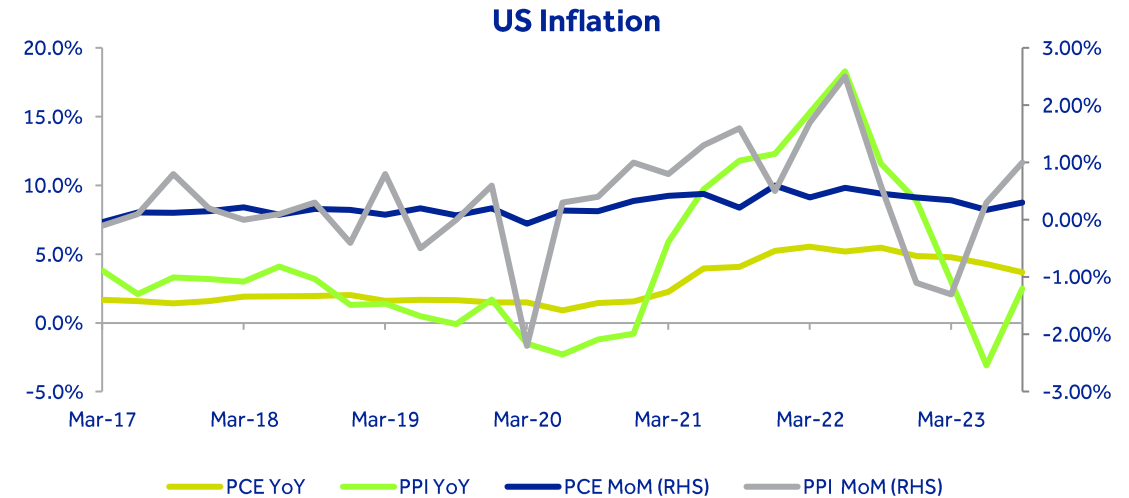
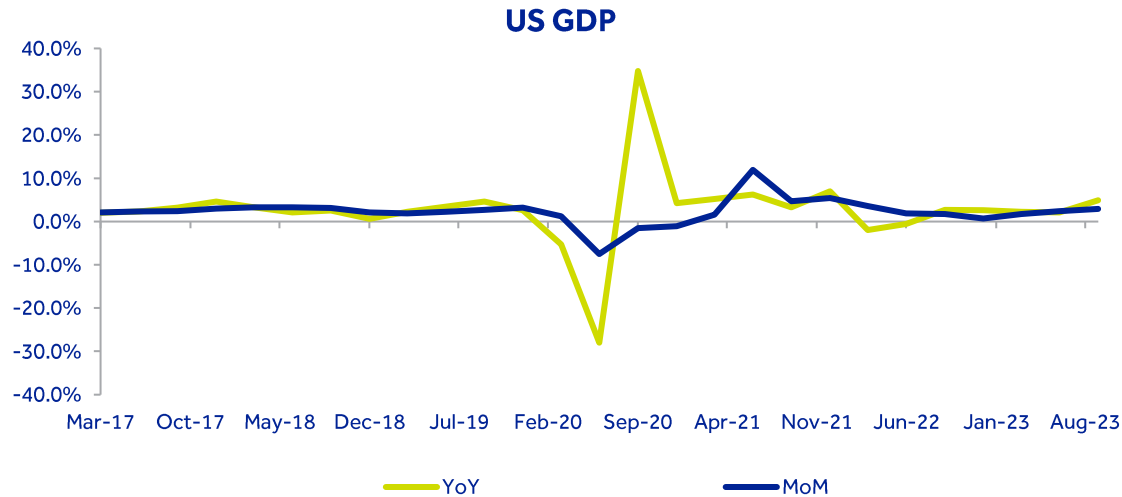
- Industrial production activities (IIP) continue to recover but still weak.
- Trade activities in October 2023 grew positively.
- FDI Register and disbursement peaked up impressively in October 2023.
- Consumption activities still grew slowly below the average 13% of 10 year.
- Public investment continued to be an important foundation supporting the economy growth.
- Average headline CPI reached 3.2% vs. the Government cap of 4.5%

OUR VIEW

- Although the US is the driving force of global economic growth, persistent inflation may force Fed to keep the interest rate high for a long time. In turn, it also has a negative impact on the economic growth of the US in particular and the world in general. Meanwhile, EU and China face many difficulties in economic growth, and Asia is experiencing a slow recovery process. Therefore, observing very carefully the actions of central banks in the next several months would be one of the most crucial things to do.
- For Vietnam, we forecast that GDP growth in Q4 will range from 6.3%-6.8% YoY, resulting in 2023 GDP growth of 4.8%-5.0% YoY. 2023's average headline CPI will also be well maintained at around 3.5%. FDI capital flows and trade activities are expected to continue to recover.

GLOBAL ECONOMIC THEMES

US ECONOMY REMAINS STRONG, AND INTEREST RATE HIKES ARE STILL POSSIBLE



Source: BEA

- **GDP growth:** In Q3 2023, the US economy grew at its fastest pace in more than two years thanks to soaring consumer spending. Preliminary GDP growth is expected to be 4.9% YoY, more than double the previous quarter's rate. Personal consumption spending, the key driver of economy growth, increased by 4%, the highest level since 2021.
- **Inflation:** The Core Personal Consumption Expenditures (core PCE) dropped to 2.4% YoY in Q3 2023. Looking closely, the core PCE only stabilized as core commodities prices slowed (+ 2.1% YoY only). However, the super-core services inflation index (excluding housing but includes healthcare, haircuts, and accommodation) increased 3.5% YoY in Q3 2023, indicating that the FED still has a lot of work to do in the services sector to reduce inflation.
- **Labor market:** The labor market continued to tighten in September 2023, with more jobs created than expected. The unemployment rate remained at 3.8%, below the 10-year average of 5.1%. However, the updated job report in October showed a cooling with below-expectation new jobs, unemployment rate ticked up to 3.9%
- Other economic indicators suggest that the US economy remained strong in September 2023, such as (1) Retail sales rose by 0.7%, beating economists' expectations; (2) New housing construction increased by 9.6%; (3) Durable goods orders rose by 4.7%.

GLOBAL ECONOMIC THEMES

CHINA ECONOMY IS RECOVERING BUT STILL SLOW AND FRAGILE

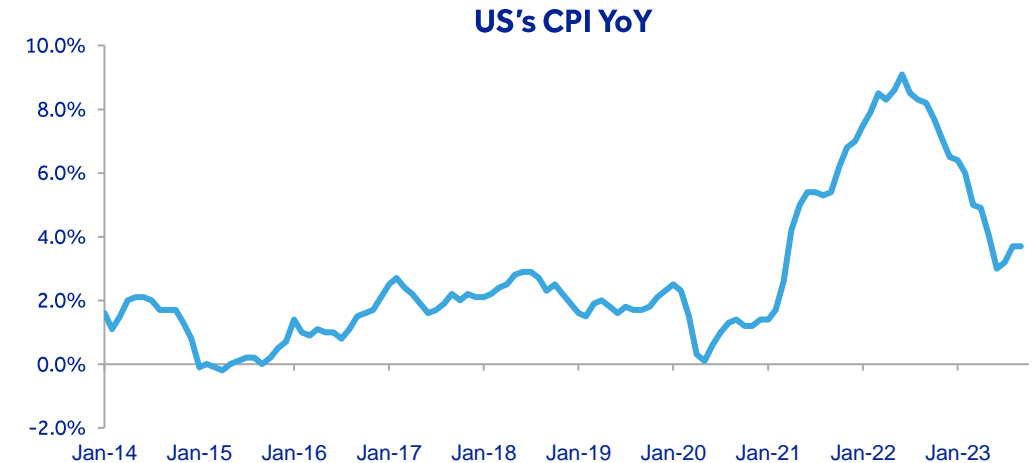
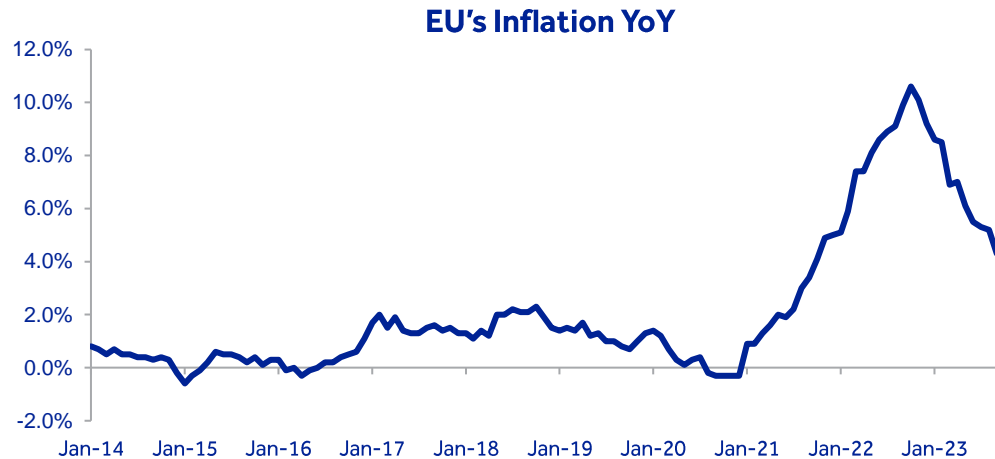


Source: China NBS

- **Overall, China's economic growth recovered slightly in September 2023 due to higher-than-expected retail sales, but the property market (accounting for roughly 30% of GDP growth) remained a drag on the economy, with property investment falling by 9.1% YoY in Q3/2023. The bright spot is that Q3's growth is still higher than the government's full-year growth target of 5%.**
- GDP in the Q3/2023 increased by 1.3%q/q and 4.9% YoY. China's GDP increased by 5.2% YoY in 9M2023.
- Retail sales, a key indicator of consumer demand, increased by 5.5% YoY in September 2023, up from 4.6% in August 2023 and beyond experts' forecast of 4.9%.
- Industrial production rose by 4.5% in September 2023, unchanged from August 2023, but above economists' forecast of 4.3%.
- The unemployment rate reached 5% in September 2023, down from 5.2% in August 2023.

GLOBAL ECONOMIC THEMES

INFLATION IN THE US AND EU IS LIKELY TO BE PERSISTENTLY HIGH



Source: BEA

- **DESPITE A DOWNWARD TREND, INFLATION IN THE US AND EU REMAINS STILL PERSISTENTLY HIGH. BESIDES, THE RISK OF RISING ENERGY PRICES DUE TO RECENT GEOPOLITICAL TENSIONS IS INCREASING PRESSURE ON INFLATION**
- Inflation figures in the US remained high in September 2023, with the monthly producer price index (PPI) increased by 0.5%, compared to 0.7% in August but still higher than forecasts (0.3%); and the Core PPI rising by 0.3%, slightly higher than expectations. Furthermore, the CPI increased by 0.4% from the previous month, while the core CPI increased by 0.3% m/m and by 4.1% yoy. The FED's preferred PCE index has increased for two consecutive months, with overall PCE increased by 0.4%, mainly due to rising oil prices. In September 2023, inflation in the services sector (excluding housing and energy) increased by 0.4%, up from 0.1% in August.
 - Overall, inflation in the US remains persistent, but the trend is slowing, and the Fed might be able to continue tightening monetary policy to ensure inflation is on a sustainable downward trend if upcoming data is unfavorable.
 - In the August 2023 survey, inflation expectations in the EU rose slightly, with inflation expectations rising to 3.5% in the next 12 months (up from 3.4% in the July 2023 report), implying that the ECB may need to maintain a tough stance on inflation for longer.

GLOBAL ECONOMIC THEMES

WHILE CHINA IS FALLING INTO DEFLATION

➤ CONSUMER PRICE LEVEL OF CHINA CONTINUES TO FALL, ACCELERATING THE RISK OF DEFLATION AS THE ECONOMY IS FACING MANY GROWTH CHALLENGES

- According to data on Chinese inflation in October 2023, the price level continued to decline (-0.2% YoY) after remaining unchanged in September 2023, mainly due to weak domestic demand. Furthermore, the core CPI only increased by 0.6% YoY (vs. +0.8% YoY in September 2023), while the Producer Price Index (PPI) fell for a 13th straight month.
- Overall, China's inflation has been low this year due to (1) domestic issues including a prolonged weak property market and weak consumer confidence, and (2) global challenges including a fall in global commodity prices from last year's highs and weak demand for Chinese goods leading to falling exports.
- The Chinese government is trying to boost consumer spending in order to increase purchasing power and promote "moderate" price increases, but it faces financial challenges such as stressful levels of local government and corporate debt and a prolonged weak property market. The market expects that the PBOC will lower its one-year rate by 10bps and reduce the required reserve ratio by 25bps by year's end.



GLOBAL ECONOMIC THEMES

GLOBAL GROWTH IN 2024 MAY FACES MANY CHALLENGES

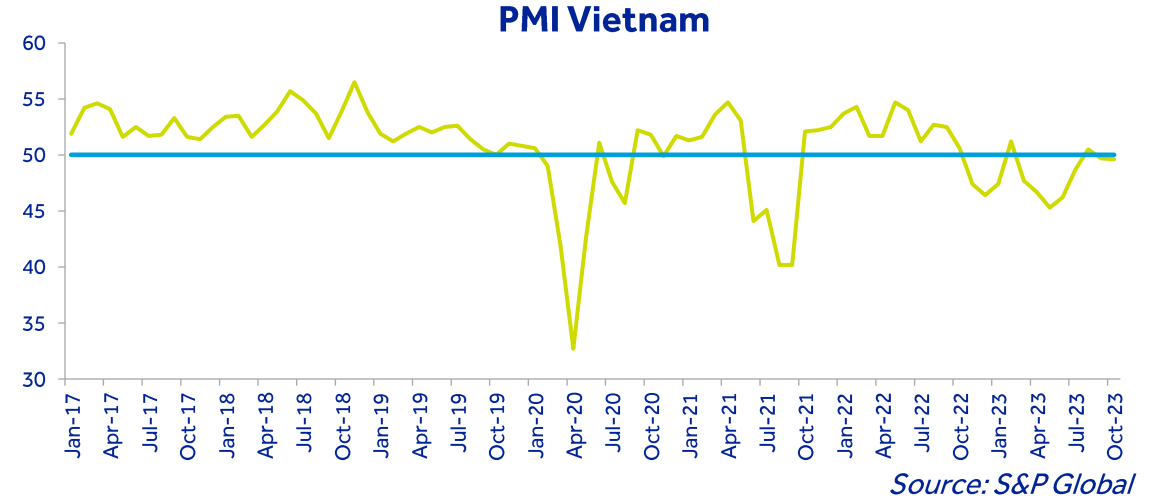
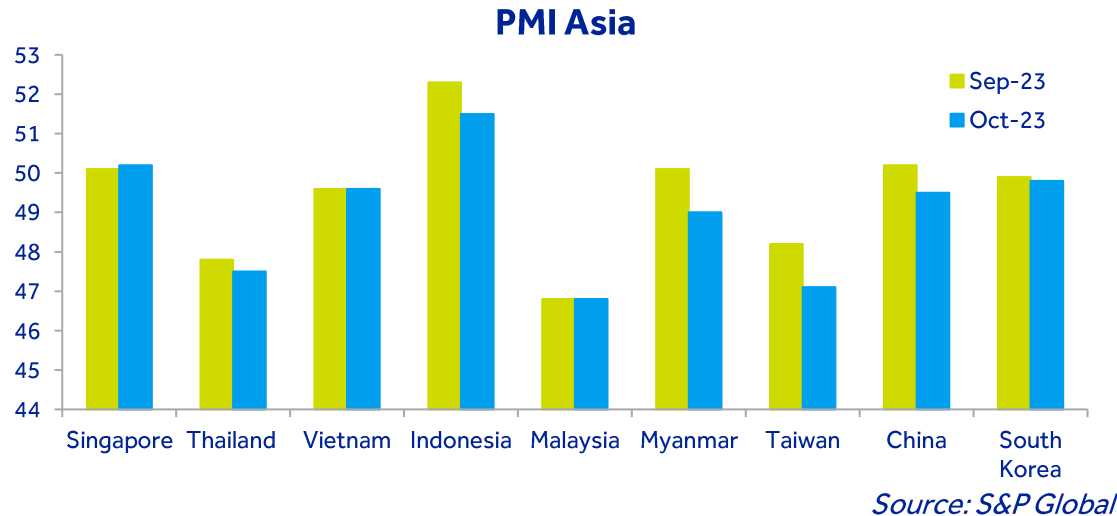
- The International Monetary Fund (IMF) has lowered their forecast for global economic growth in 2024 to 2.9%, 0.1bps lower than their forecast in July 2023 and lower than the average 3.8% of the two pre-pandemic decades.
- Meanwhile, the IMF's forecast for 2023 economic growth remained unchanged at 3.0%.
- Inflationary pressures and a slowdown of major economies' growth will negatively impact on either global and Vietnam economic growth in the coming years.

	FY2023 Forecast	Change from previous forecast	FY2024 Forecast	Change from previous forecast
World	<div><div></div></div> 3.00%	0.00%	<div><div></div></div> 2.90%	-0.10%
United States	<div><div></div></div> 2.10%	0.30%	<div><div></div></div> 1.50%	0.50%
EU area	<div><div></div></div> 0.70%	-0.20%	<div><div></div></div> 1.20%	-0.30%
Germany	<div><div></div></div> -0.50%	-0.20%	<div><div></div></div> 0.90%	-0.40%
France	<div><div></div></div> 1.00%	0.20%	<div><div></div></div> 1.30%	0.00%
Italy	<div><div></div></div> 0.70%	-0.40%	<div><div></div></div> 0.70%	-0.20%
United Kingdom	<div><div></div></div> 0.50%	0.10%	<div><div></div></div> 0.60%	-0.40%
Japan	<div><div></div></div> 2.00%	0.60%	<div><div></div></div> 1.00%	0.00%
China	<div><div></div></div> 5.00%	-0.20%	<div><div></div></div> 4.20%	-0.30%
India	<div><div></div></div> 6.30%	0.20%	<div><div></div></div> 6.30%	0.00%
Russia	<div><div></div></div> 2.20%	0.70%	<div><div></div></div> 1.10%	-0.20%
Brazil	<div><div></div></div> 3.10%	1.00%	<div><div></div></div> 1.50%	0.30%
South Africa	<div><div></div></div> 0.90%	0.60%	<div><div></div></div> 1.80%	0.10%
Vietnam	<div><div></div></div> 4.70%	-1.10%	<div><div></div></div> 5.80%	-1.10%

Source: IMF

GLOBAL ECONOMIC THEMES

PMIs DATA IN OCTOBER 2023 SHOWED THAT ASIA'S MANUFACTURING SECTOR IS FACING SOME CHALLENGES BUT STILL IMPROVING



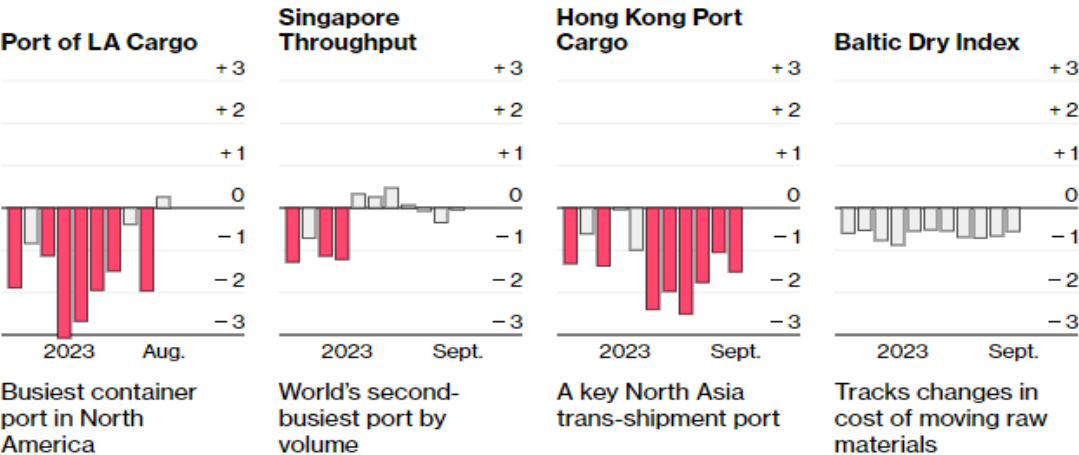
- Data from the Asia Purchasing Managers' Index (PMI) for October 2023 showed a mixed picture for the manufacturing sector, with some countries are facing challenges. According to our assessment, the PMI varies by country in the Asia region due to:
 - (1) Rising costs, especially oil, & gas, are putting pressure on manufacturers;
 - (2) Exports are being impacted by lower global demand;
 - (3) The proportion of export-related production activities of each country will lead them to suffer different impact levels.
- Despite the challenges, PMI reports from many countries showed some positive signs. For example, South Korea's production outlook improved significantly in October 2023. Furthermore, despite a slight slowdown in growth momentum, India's PMI remained in the expansionary zone, indicating that the manufacturing sector is still expanding.

GLOBAL ECONOMIC THEMES

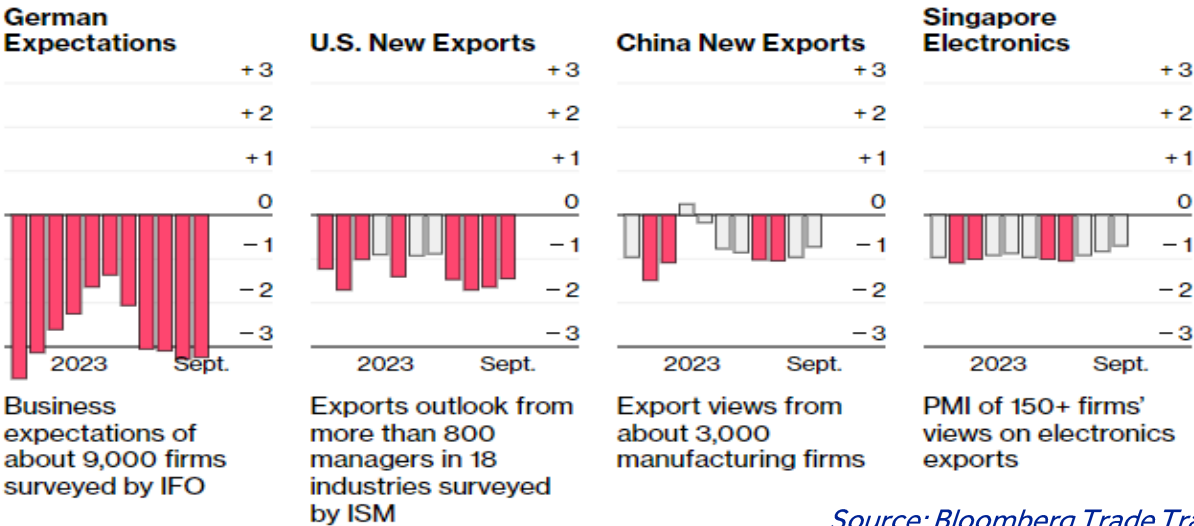
GLOBAL TRADE HAS HIT BOTTOM

- Bloomberg's Trade Tracker has confirmed that global trade activities have bottomed out, with only 4/10 indicators still in the negative zone (compared to 6/10 in August 2023 and 8/10 in July 2023).
- Export-oriented economies such as Japan, South Korea, and Taiwan have generally begun to show signs of recovery. While key port activity indicators and freight rates have begun to recover from their low base. However, the recovery remains slow due to the risk of the US economy weakening and the China's economic growth struggles.

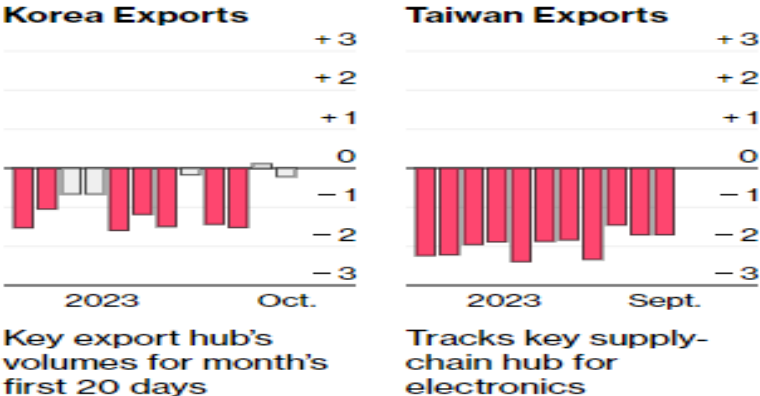
Shipping



Sentiment



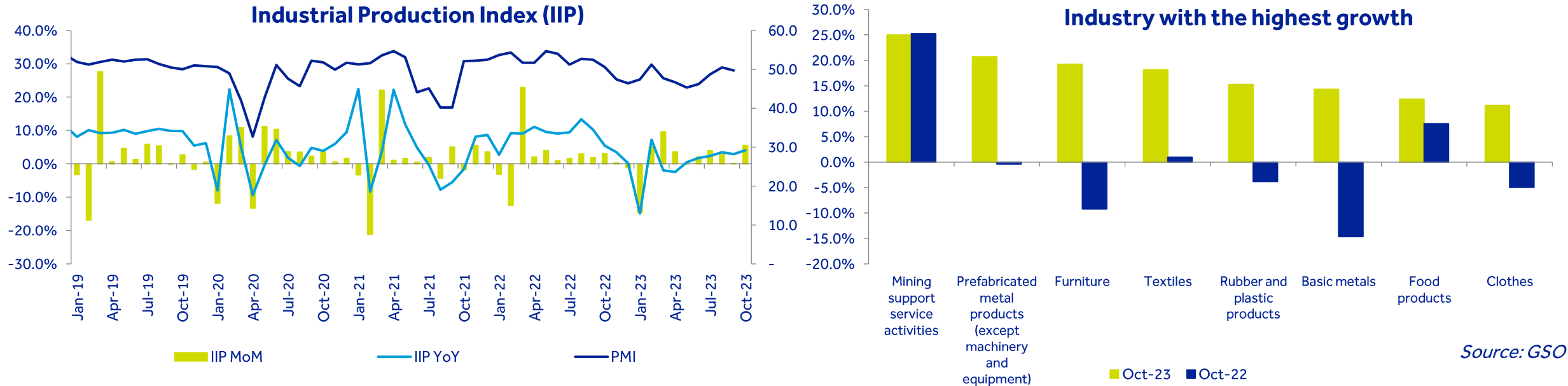
Country Export Volumes



Source: Bloomberg Trade Tracker

VIETNAM MACRO INSIGHTS

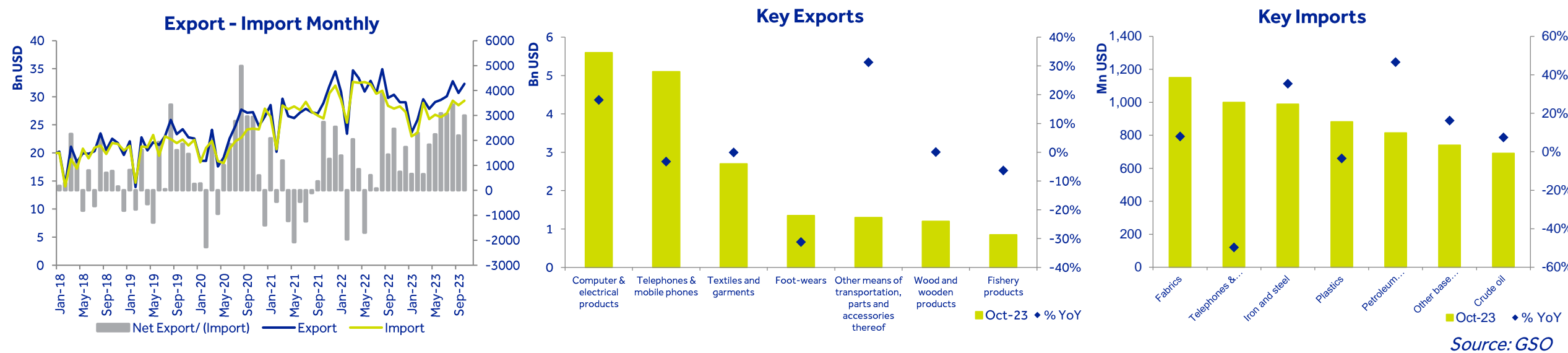
THE MANUFACTURING INDUSTRY IS RECOVERING, BUT STILL AT A SLOW PACE



- **Manufacturing activity in Vietnam continues to improve but at a slow pace and face some challenges caused global economic situation. The economies of major trading partners', such as the EU, South Korea, Japan, and Taiwan, still haven't shown clear signs of recovery yet. The US consumer spending remains strong, but still remains unclear how long it will last. However, Vietnam still maintains some advantages, including cost advantages, a potential domestic market, and trade agreements. We believe that if Vietnam can take advantages these factors, Vietnam will be able to get back its rapid pace of manufacturing recovery in the coming months.**
- Manufacturing activity continued to improve, with the Industrial Production Index (IIP) rising by 4.1% yoy in October 2023.
- However, Vietnam's PMI fell slightly in October 2023 to 49.6 (from 49.7 in September 2023), remaining below the 50 (the overall growth mark for the entire industrial sector). The number of new orders increased slightly, but not sufficiently to encourage factories to increase production. Instead, they used up inventory to meet demand.

VIETNAM MACRO INSIGHTS

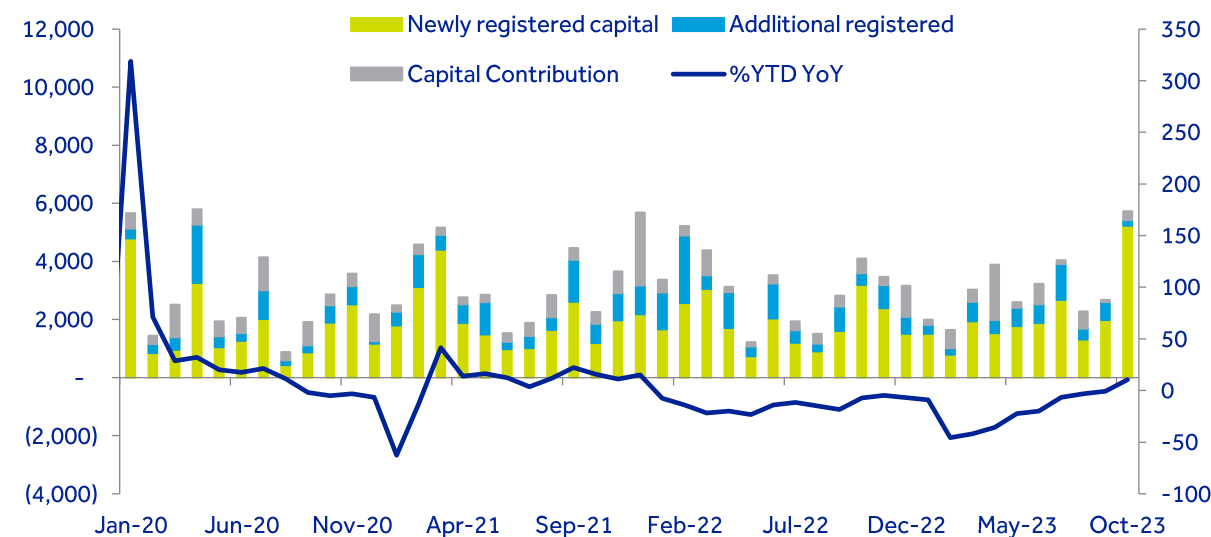
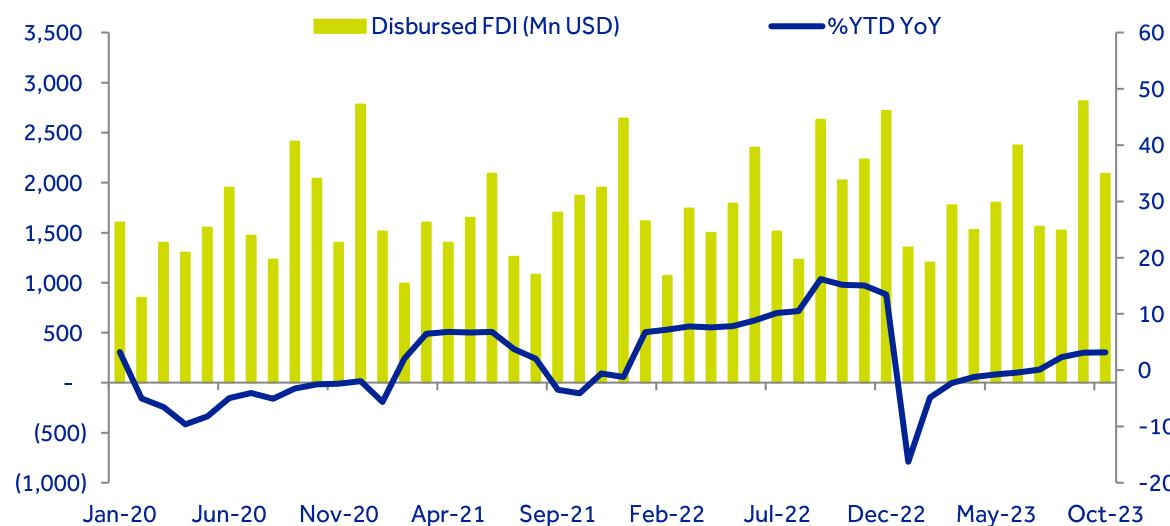
TRADE ACTIVITIES CONTINUE TO RECOVER SLIGHTLY



- In October 2023, Vietnam's trade activities continued to improve slightly, with the domestic sector growing faster than the FDI sector. Exports increased by 6.4% YoY, while imports increased by 5.0% YoY, resulting in a trade surplus of \$3 billion. Overall, trade activities in 10M2023 are still recovering with the total trade value gradually increasing slightly, but the growth rate remains low because major trading partners, including the US, EU, and China, have not yet fully recovered.
- In 10M2023, total trade value increased by 0.5% YoY, in which exports reaching US\$291.2 billion (-7.1% YoY) and imports reaching US\$266.67 billion (-12.3% YoY), resulting in a US\$24.6 billion trade surplus. The trade balance in 10M2023 remained surplus (US\$24.6 billion), mainly thanks to strong exports to the US and EU.
- Vietnam's key export products have not fully recovered and import products have not yet significantly increased. The bright side is that agricultural exports from Vietnam continued to grow strongly in October 2023, such as fruits and vegetables (+126% YoY), rice (+27% YoY), and cashew nuts (+24% YoY).
- The US still remained the largest export market (US\$78.6 billion), while China stood out as the largest import market (US\$89.8 billion).

VIETNAM MACRO INSIGHTS

STRONGLY RECOVERY STRONGLY OF DISBURSEMENT & REGISTER FDI IN OCTOBER 2023



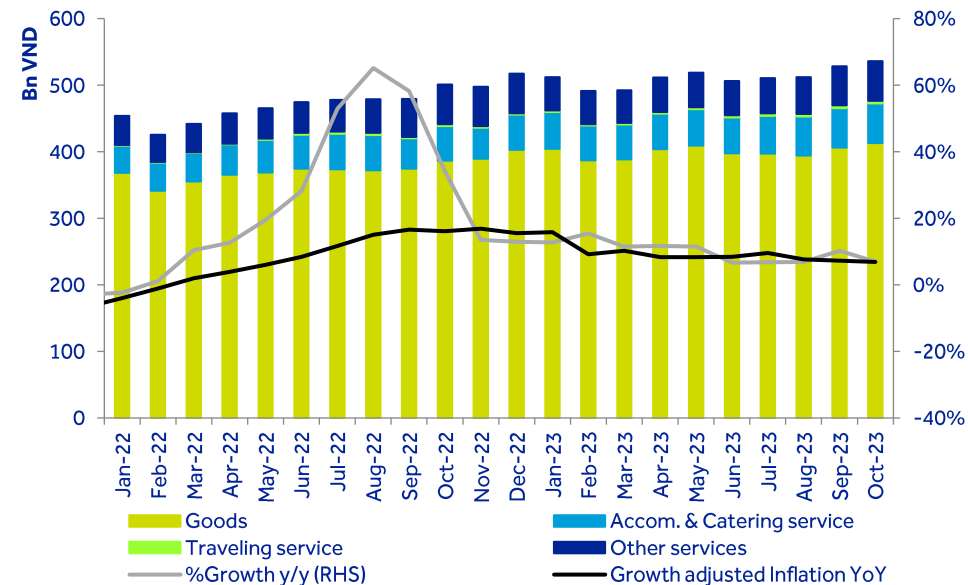
Source: GSO

- **In general, FDI recovered positively in 10M2023, especially in October 2023, when registered FDI increased sharply, reflecting foreign investors' confidence in Vietnam's investment environment. Disbursed FDI also remained stable, showing that FDI enterprises are still implementing investment projects.**
- Registered FDI increased impressively by 63.8% YoY in October 2023, with new registered FDI increasing by more than 80% YoY thanks to new two big projects in Quang Ninh. Meanwhile, disbursed FDI has remained stable.
- In general, for 10M2023, registered FDI reached US\$20.6 billion, up 14.7% YoY, while disbursed FDI remained stable, reaching US\$18 billion.
- Provinces and cities where have relatively advantages in attracting FDI, such as Quang Ninh, Hai Phong, Hanoi, Ho Chi Minh City, Bac Giang, and Binh Duong, continued to attract substantial FDI.
- Traditional Asian investment partners such as Singapore, China, Japan, South Korea, Hong Kong, and Taiwan continued to contributed big portion of FDI.

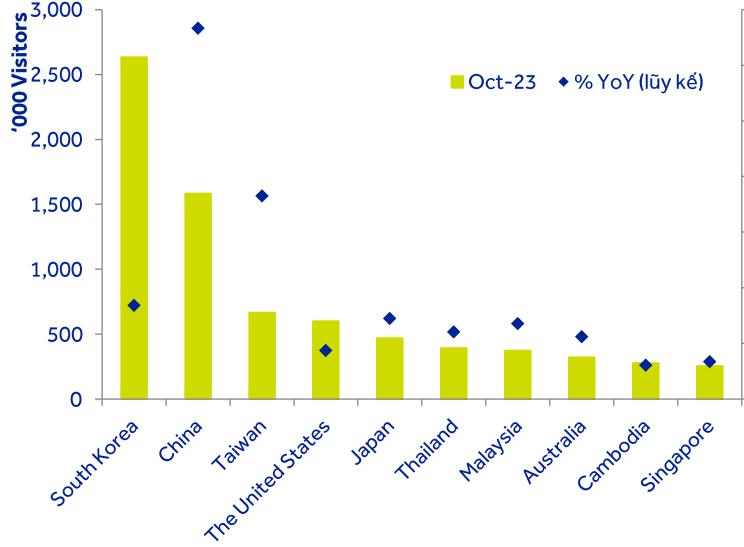
VIETNAM MACRO INSIGHTS

CONSUMER SPENDING GROWTH IS STILL BELOW 10 YEAR AVERAGE (13%)

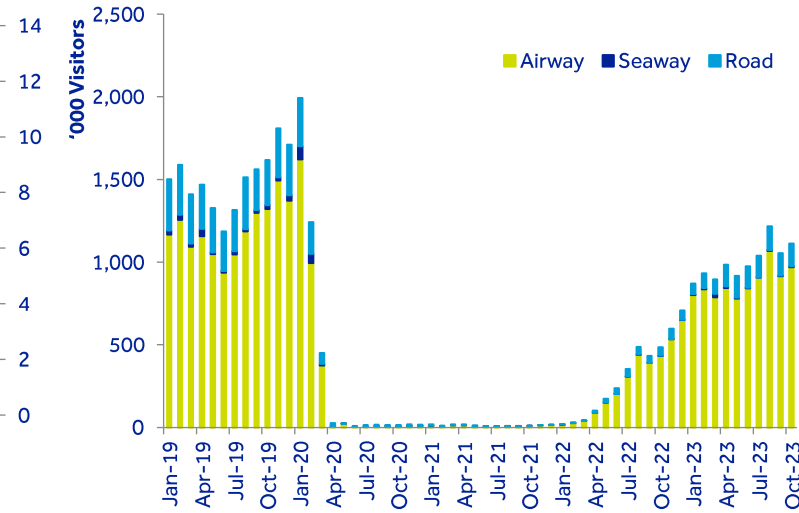
Retail Sale of Goods and Services



Top countries with the most tourists to Vietnam 10M2023



Number of foreigners arrival in Viet Nam



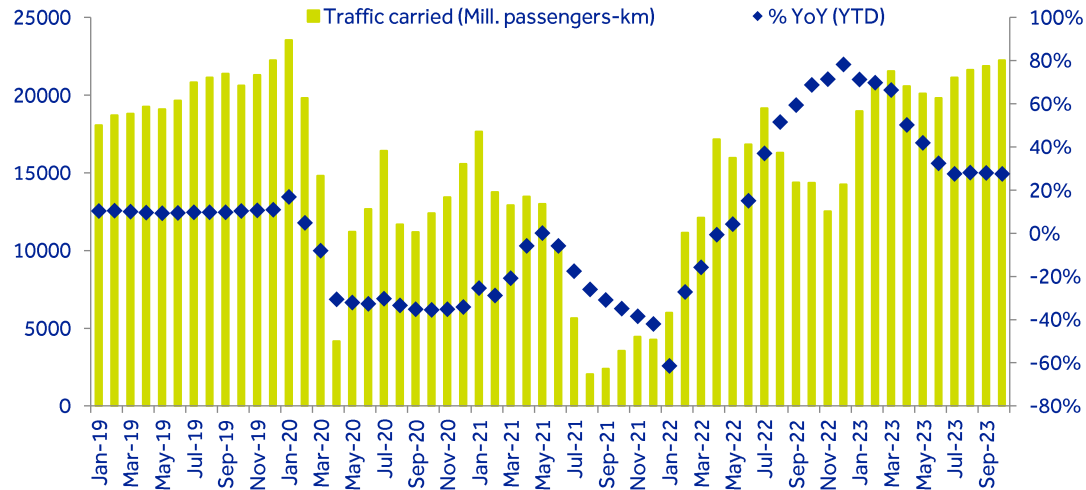
Source: GSO

- Total retail sales of goods and services increased by 7% YoY in October 2023, led by tourism services, which increased by more than 51% YoY. Overall, retail sales of goods and services increased by 9.4% YoY in 10M2023, and 6.9% YoY excluded inflation impact. The consumption growth rate was not in good shape, as it remained below 10% and is significantly lower than the 10-year average (13%).
- Although accounting for the greatest proportion of consumer spending (78%) , retail sales of goods increased by only 8.3% YoY. 10M2023 is estimated to reach VND3.988tn. Revenue for accommodation & catering services in 10M2023 reached VND555bn, up 15% YoY. Travel services revenue, although accounting for a small proportion, grew at the fastest rate in 10M2023, reaching VND30.2bn, up 47.6% YoY, thanks to the recovery of international tourists to Vietnam. Specifically, 10T2023 saw nearly 10 million international tourist arrivals, up 69% compared to 10T2019 (pre-pandemic)

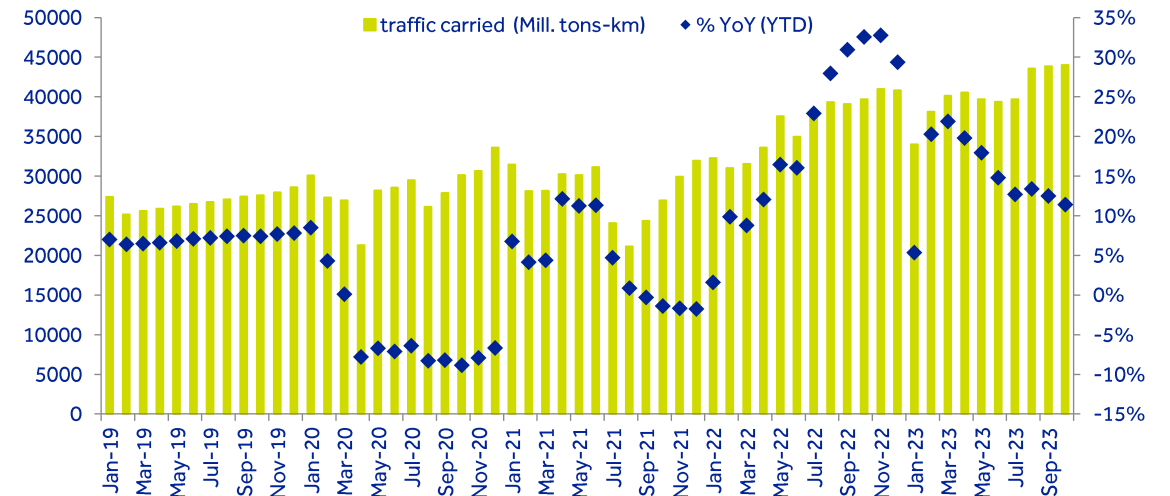
VIETNAM MACRO INSIGHTS

GOODS TRANSPORTATION ACTIVITIES ARE STILL EXPANDING (11.9% YoY)

Volume traffic carried (Mn passengers x km)



Volume traffic carried (Mn tons x km)

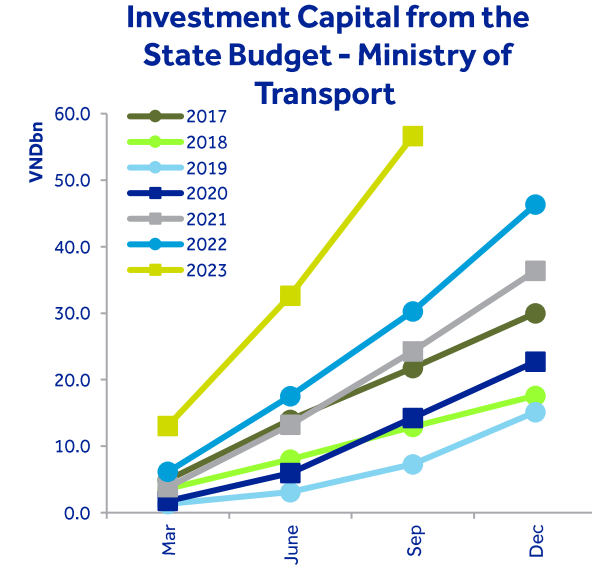
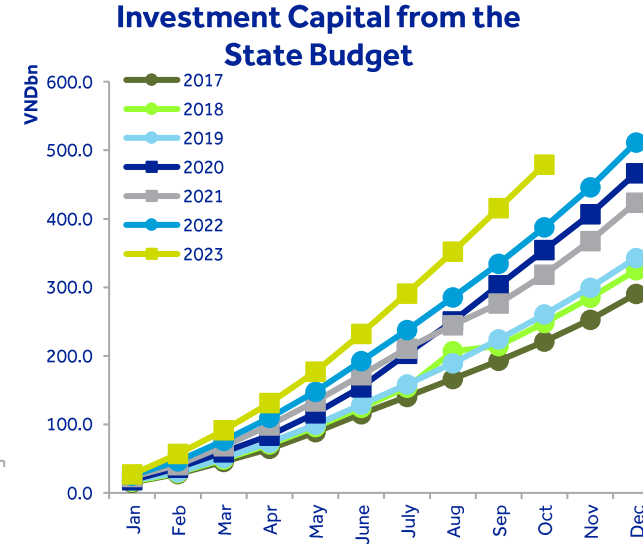
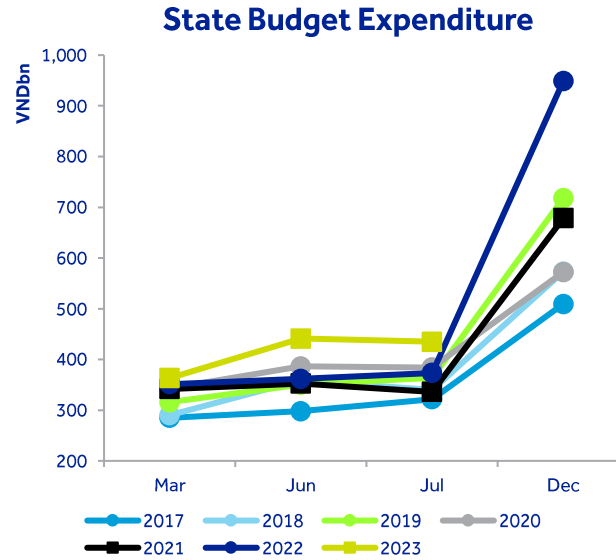
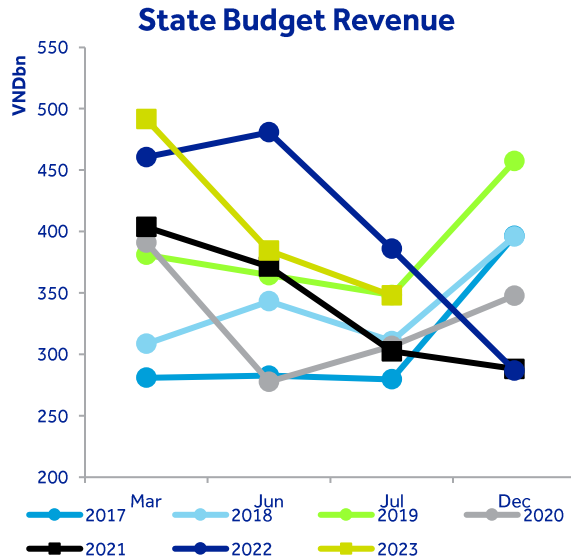


Source: GSO

- In October 2023, passenger transport is expected to reach 399.7mn passengers, -0.3% MoM but +6.5% YoY, with 22.3bn passengers-kilometers, + 2.2% MoM and +25.7% YoY.
- For 10M2023, passenger transport is expected to reach 3.8bn passengers, + 12.5% YoY, with 206.2bn passengers-kilometers, + 27.6% YoY.
- Freight transport reached 200.1 mn tons in October 2023, + 3% MoM and + 11.9% YoY, with 44bn tons-kilometers, +4.8% MoM and +7.3% YoY.
- For 10M2023, Freight transport is expected to reach 1.888.3 million tons, +14.4% YoY, with 402bn tons-kilometers, + 11.4% YoY.

VIETNAM MACRO INSIGHTS

PUBLIC INVESTMENT CONTINUES TO BE A KEY FACTOR FOR THE ECONOMIC GROWTH



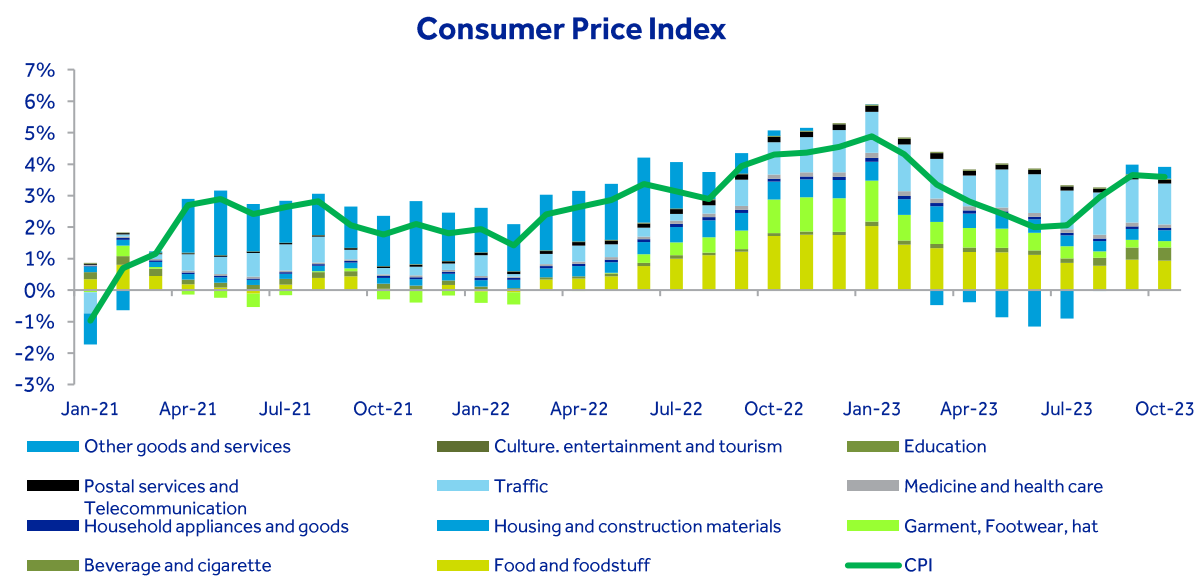
Source: GSO, MPI

➤ We expect that the Government will continue to increase public spending to support the economy growth. By end of October 2023, public investment disbursement is expected to reach VND 479tn, + 22.6% YoY, completing 66% of the 2023's plan.

- Public investment continued to be considered as one of key solutions to support the economy which is facing some challenges from the declining production activities and weakening consumer demand. The Ministry of Planning and Investment reported that in 9M2023, total Social Investment Capital amounted to VND 2,260tn, + 6.1% YoY in which Capital under State Investment, on the other hand, reached VND 415tn, accounting for 18% of the total and +24.2% YoY.
- The Government has continued to implement policies that promote economic growth, such as lowering corporate taxes, fees, as well as accelerating the distribution of public investment. We also expect a decline in State budget revenue in 2023, due to the government's continued implementation of public spending to stimulate the economy, as well as the challenging economic conditions, particularly in the real estate sector, which have resulted in lower State budget revenue. In addition, State budget expenditure will increase because the Government will continue to implement public spending activities to support the economy.

VIETNAM MACRO INSIGHTS

10M2023 CPI IS ONLY 3.2% (vs. GOVERNMENT’S CAP OF 4.5%)



	Oct-23	Oct-22
Consumer price index CPI (monthly, % YoY)	3.59%	4.30%
Sectors with upward impact		
Education	7.14%	10.64%
Housing and construction materials	6.88%	5.42%
Other goods and services	5.91%	3.11%
Traffic	3.90%	1.81%
Beverage and cigarette	2.84%	3.60%
Overall CPI	3.59%	4.30%
Sectors with downward impact		
Postal services and Telecommunication	-1.34%	-0.17%

Source: GSO

- According to the GSO, the consumer price index (CPI) in October 2023 increased by 0.08% QoQ, increased by 3.2% YTD and increased by 3.59% YoY. For 10M2023, average core CPI increased by 4.38% YoY in 10M2023, while the average headline CPI increased by 3.2% YoY.
 - Both core inflation and headline inflation decreased in October 2023 mainly due to these reasons: (1) domestic gasoline prices continued to drop; (2) retail gas prices, electricity prices, and water prices all decreased; and (3) education and health services increased more slowly than those in September 2023.
 - This indicates that inflation control is being implemented effectively and is positive signal for the Vietnam economy. However, core inflation remains high, with an average core CPI increased 4.38% MoM in 10M2023.
- **For the whole year 2023, we expect inflation to reach 3.5%.**

VIETNAM-KEY MACRO INDICATORS

Monthly data	Nov-23	Dec-23	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Industrial Production (YoY)	3.5%	0.2%	-14.9%	7.2%	-2.0%	-2.4%	0.5%	1.8%	2.3%	3.5%	2.9%	4.1%
<i>Mining and quarrying</i>	16.8%	-5.1%	-13.0%	9.9%	-4.2%	-5.5%	2.9%	0.2%	-2.1%	-7.1%	-6.4%	-5.7%
<i>Manufacturing</i>	2.3%	0.6%	-15.6%	6.8%	-2.5%	-2.8%	-0.9%	2.2%	2.6%	4.3%	3.8%	4.8%
<i>Production and distribution of electricity</i>	2.7%	1.3%	-12.4%	8.3%	1.8%	2.3%	7.7%	-0.7%	3.8%	5.6%	3.0%	5.6%
<i>Water supply and waste treatment</i>	7.0%	5.5%	-1.4%	7.1%	11.1%	8.1%	4.7%	5.7%	1.4%	1.9%	7.0%	5.2%
Purchasing Managers Index	47.4	46.4	47.4	51.2	47.7	46.7	45.3	46.2	48.7	50.5	49.7	49.6
Retail Sales (YoY)	17.5%	17.1%	12.8%	15.5%	11.5%	11.7%	8.1%	6.7%	6.9%	6.9%	7.5%	7.0%
Consumer Price Index (MoM)	0.4%	0.0%	0.5%	0.4%	-0.2%	-0.3%	0.0%	0.3%	0.5%	0.9%	1.1%	0.1%
Consumer Price Index (YoY)	4.4%	4.5%	4.9%	4.3%	3.4%	2.8%	2.4%	2.0%	2.1%	3.0%	3.7%	3.6%
Export Value (% YoY)	-8.9%	-15.9%	-23.5%	10.5%	-14.8%	-16.4%	-6.0%	-10.3%	-1.8%	-6.2%	2.9%	6.4%
Import Value (% YoY)	-7.6%	-14.6%	-22.1%	-7.1%	-11.5%	-19.8%	-17.8%	-18.2%	-11.6%	-5.6%	0.3%	5.0%
Trade Balance (USDmn)	742	500	656	2,300	650	1,834	2,240	3,087	3,067	3,439	2,199	3,000
Disbursed FDI (USDmn)	2,230	2,720	1,350	1,200	1,770	1,530	1,800	2,371	1,559	1,520	2,813	2,087
Registered FDI exl Cap. Cont.(USDmn)	2,390	1,510	1,510	790	1,930	1,535	1,776	1,877	2,677	1,315	1,974	5,236

VIETNAM-KEY MACRO INDICATORS

Quarterly data	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q2 2023
GDP (YoY)	5.2%	5.1%	7.7%	13.7%	5.9%	3.3%	3.7%	4.2%
<i>Agriculture, Forestry and Fishing</i>	3.2%	2.5%	3.0%	3.2%	3.9%	2.5%	3.1%	3.4%
<i>Industry and Construction</i>	5.6%	6.4%	8.9%	12.9%	4.2%	-0.4%	1.1%	2.4%
<i>Services</i>	5.4%	4.6%	8.6%	18.9%	8.1%	6.8%	6.3%	6.3%
Industrial Production (YoY)	6.4%	9.1%	9.8%	10.9%	3.0%	-2.3%	-0.2%	3.5%
Retail Sales (YoY)	-2.8%	5.0%	20.1%	41.2%	17.1%	13.9%	8.8%	7.3%
Export Value (YTD) (USDmn)	336,250	88,579	96,832	95,343	89,049	79,170	85,747	94,620
Import Value (YTD) (USDmn)	332,250	87,770	97,581	89,980	85,340	75,100	77,480	86,020
Trade Balance (USDmn)	4,000	890	-750	5,363	3,709	4,070	8,267	8,600
Disbursed FDI (USDmn)	6,460	4,420	5,640	5,368	6,972	4,320	5,892	5,701
Registered FDI (USDmn)	5,336	7,280	4,480	3,713	7,097	4,230	5,966	5,188

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