

MACRO UPDATE **January 2024**

A GOOD START

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MAIN TAKEAWAYS

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GLOBAL ECONOMIC THEMES

- The US CPI rose in January 2024, dampening expectations of an early rate cut by the Fed
- However, the US economic data, at the same time, continues to reflect a soft-landing possibility.
- Demand for oil is expected to continue rising in 2024
- Asia: PMIs data in January 2024 showed the improvement in the manufacturing sector
- Global trade is negatively impacted by the turmoil in the Red Sea

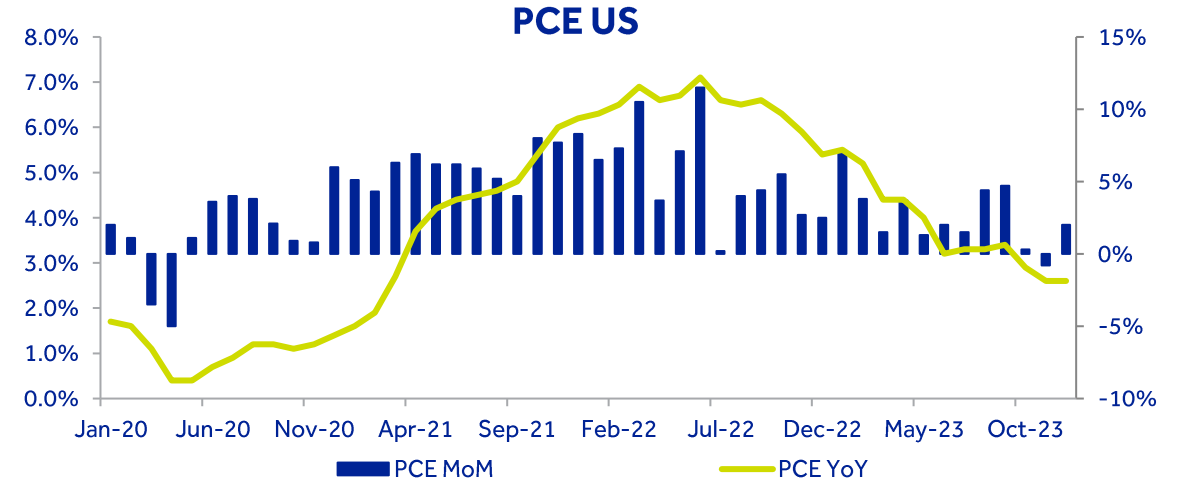
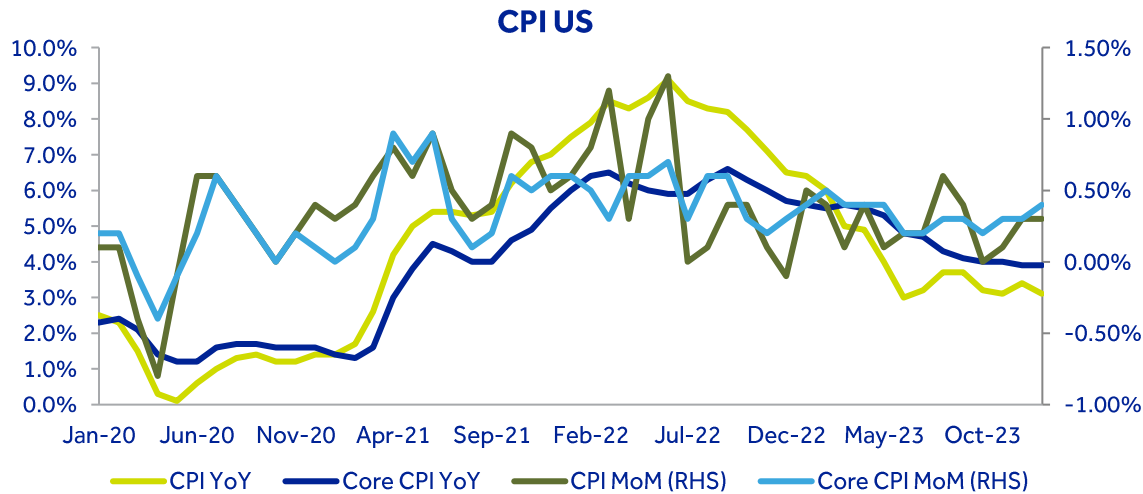
VIETNAM MACRO INSIGHTS

- The manufacturing industry surged at the beginning of the year after excluding seasonal factors
- Trade activities have shown positive growth since the beginning of 2024
- The flow of FDI continues to pour into Vietnam
- Consumption has yet fully recovered, with low growth despite the Lunar new year
- Public investment continues to be strongly pushed to support the economy
- Inflation increased slightly in January 2024 (3.37% YoY)

OUR VIEW

- Although inflation in the US has not shown clear signs of cooling down, the fundamental data is aligning with the Fed's expectations. Therefore, there is an expectation that the Fed will begin to loosen monetary policy as early as mid-2024. Additionally, industrial production activities continue to recover, especially in countries that are major FDI partners of Vietnam. This bright spot will have a positive impact on Vietnam's production and economy in 2024. However, trade activities remain unstable in areas with significant trade routes, leading to signs of narrowing in the supply of raw materials. Consequently, inflationary pressures from cost-push factors are resurfacing and could potentially affect the global economic recovery momentum.
- Domestically, Vietnam's economy started 2024 relatively well, with overall industrial production maintaining its recovery momentum. However, the demand recovery remains weak. Despite January 2024 being the Lunar New Year month, consumer demand remains subdued, with retail sales revenue increasing by only 8.3% YoY (still below average growth and below 10%). Bright spots still come from trade activities and FDI inflows. A notable point is that CPI in January is relatively high, +3.37% YoY and core CPI increasing by over 2.7% YoY. We expect Vietnam's economy to continue its recovery momentum in 2024, with GDP projected to increase by 5.6-6.1%.

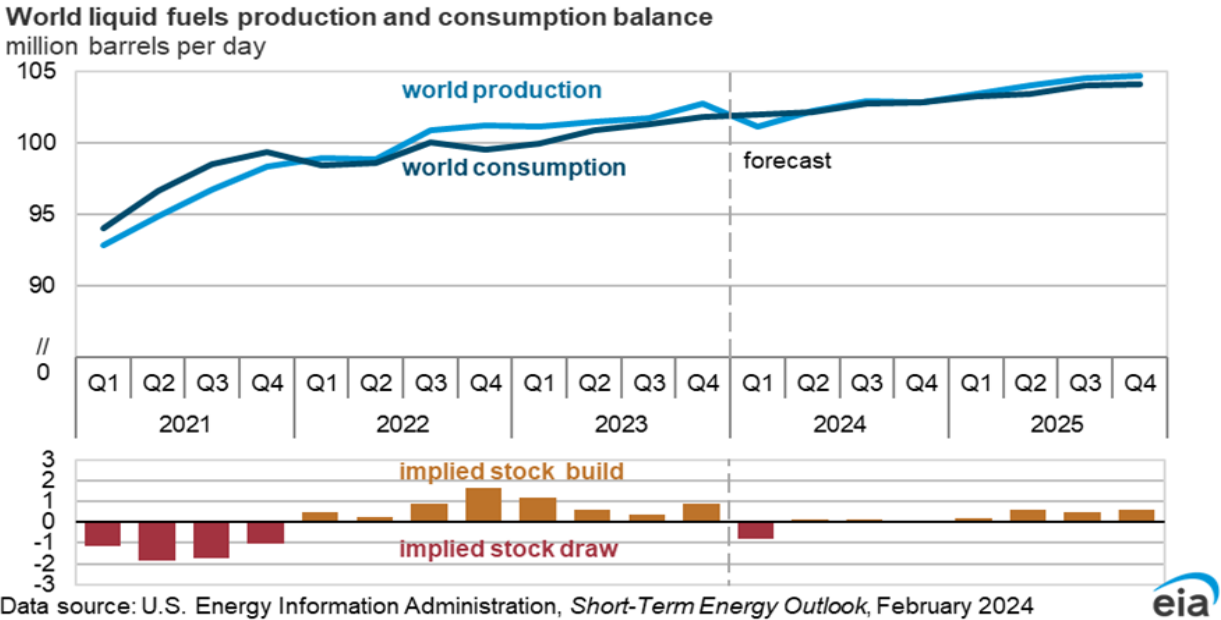
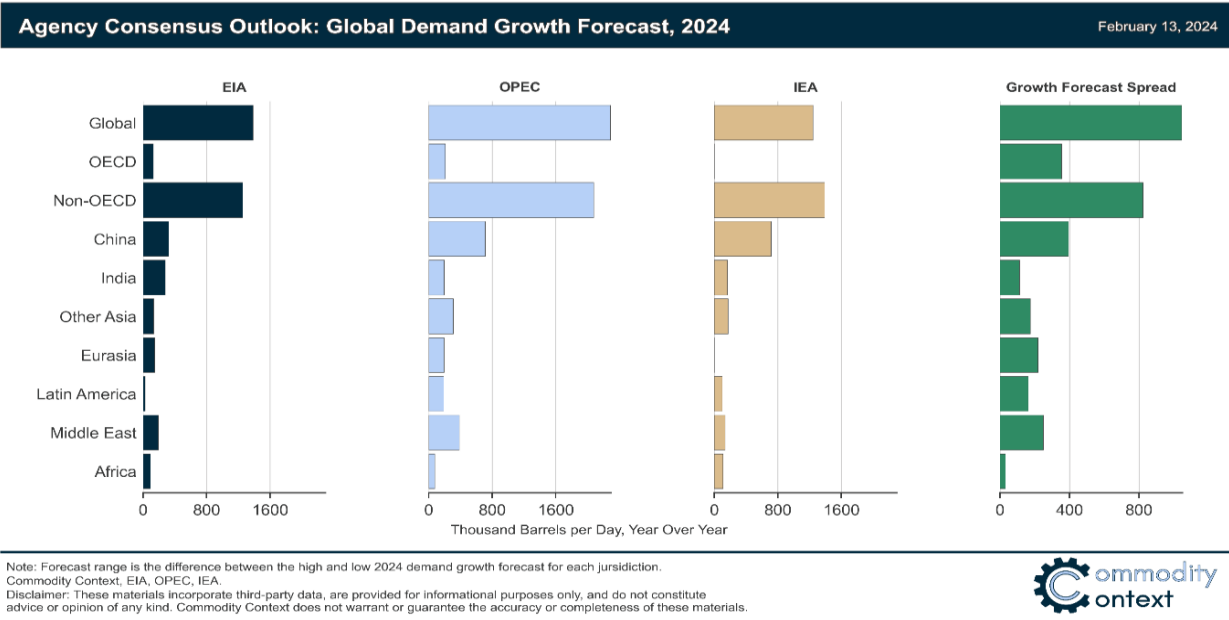
THE US CPI ROSE IN JANUARY 2024, BUT NOT CAUSE FOR ALARM



Source: BEA

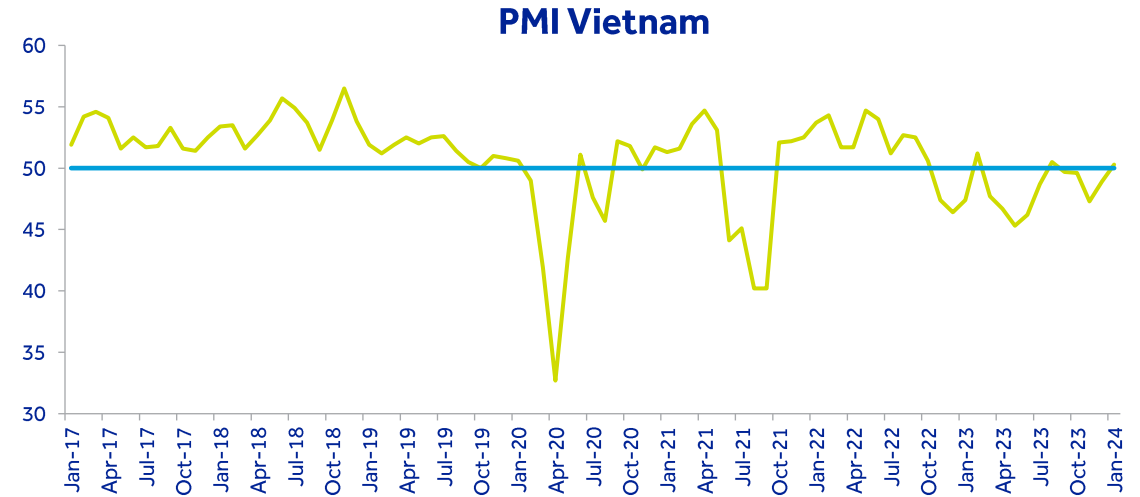
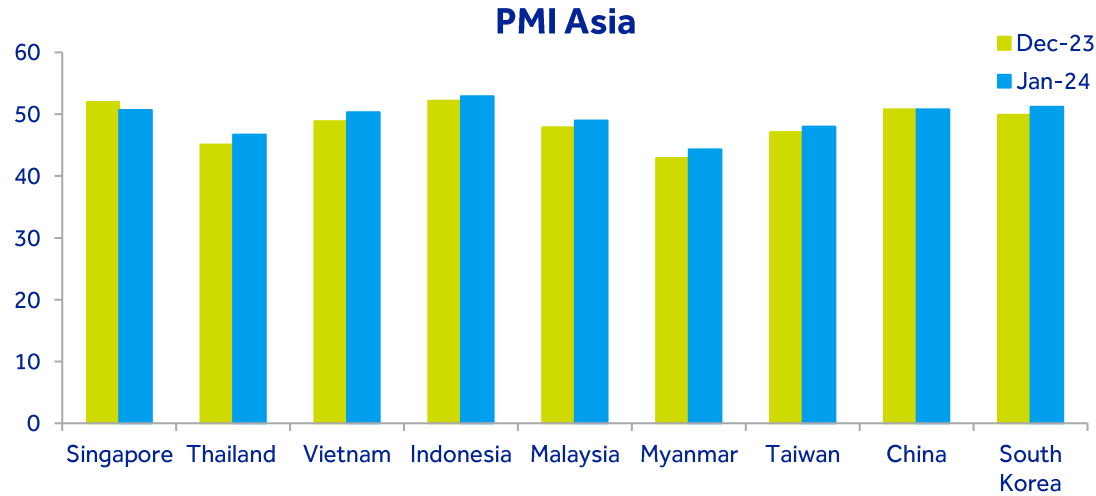
- The Consumer Price Index (CPI) rose higher than expected, by 0.3% MoM, despite declines in energy and core goods prices. Core CPI also rose faster than predicted, by 0.4% MoM. This marks the strongest increase in the nine months due to significant rises in core service prices, including housing, transportation, and healthcare. As a result, headline inflation in January 2024 still rose by 3.1% YoY, while core inflation remained steady at 3.9% YoY - the lowest level since May 2021.
- Meanwhile, the PCE decelerated in December 2023 (PCE in Dec 2023: +0.2% MoM and +2.6% YoY). The Core PCE Index (excluding food and energy) increased by 0.2% MoM and 2.9% YoY - the lowest level since 2021. The PCE for December 2023 continues its downward trend month by month and is close to market predictions (albeit it has yet to achieve the 2% target). Data for January 2024 will be available at the end of February 2024 and will serve as a basis for the FED to assess its inflation control more specifically.
- In summary, the US CPI report for January 2024 indicates that inflation remains elevated, but there are some positive signs suggesting that it may decrease in the coming months. The Fed will still need to proceed cautiously and continue to await PCE inflation data (the preferred inflation metric used by the Fed) for better assessments of its monetary policy easing decisions. However, according to experts, there is still a possibility of interest rate cuts occurring in May or June 2024.

DEMAND FOR OIL IS STILL EXPECTED TO INCREASE IN 2024.



- According to the OPEC, report in February 2024, global oil demand for 2024 is expected to increase steadily by 2.25 million barrels per day (mb/d), a slight adjustment upwards due to improving economic conditions in the U.S, raising the total oil demand for 2024 to 104.4 mb/d. Production output from non-OPEC countries is forecasted to increase by 1.2 mb/d, reaching an average of 70.5 mb/d, with supply driven by the United States, Canada, Guyana, Brazil, and Norway. Additionally, OPEC's production is also expected to reach an average of 28.38 mb/d in 2024.
- However, according to the U.S. Energy Information Administration (EIA), oil output will rise by 0.6 mb/d in 2024, reaching 102.3 mb/d, a decrease from the increase of over 1.8 mb/d in 2023. The EIA also estimates that global oil demand would climb by 1.4 mb/d in 2024 to a total of 102.42 mb/d. The majority of this demand growth is likely to be in non-OECD Asia, headed by China and India.

ASIA: JANUARY'S PMIs CONTINUE SHOWING IMPROVEMENT IN THE MANUFACTURING SECTOR



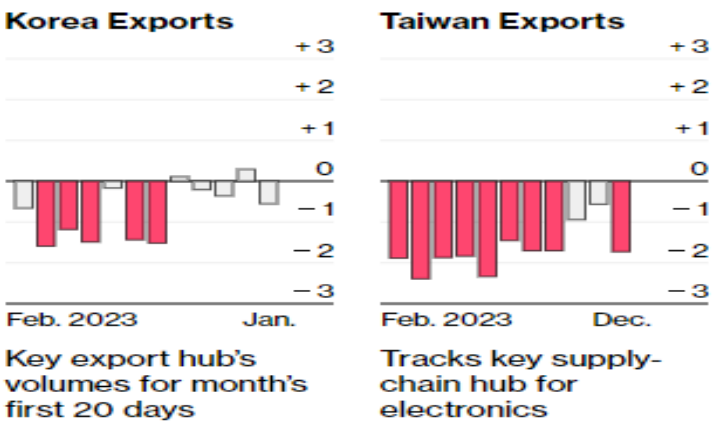
Source: S&P Global

- The PMI data for January 2024 in the Asian region shows a brighter picture compared to December 2023, with most countries experiencing growth. However, the PMI does not yet indicate a strong recovery as the PMI indices for these countries are still hovering around 50. Among them, Thailand, Malaysia, Myanmar, and Taiwan still have PMI indices below 50.
- Furthermore, Vietnam's manufacturing PMI witnessed a recovery in Q1/2024, reaching 50.3, marking the first improvement after 05 consecutive months of this index below the 50.

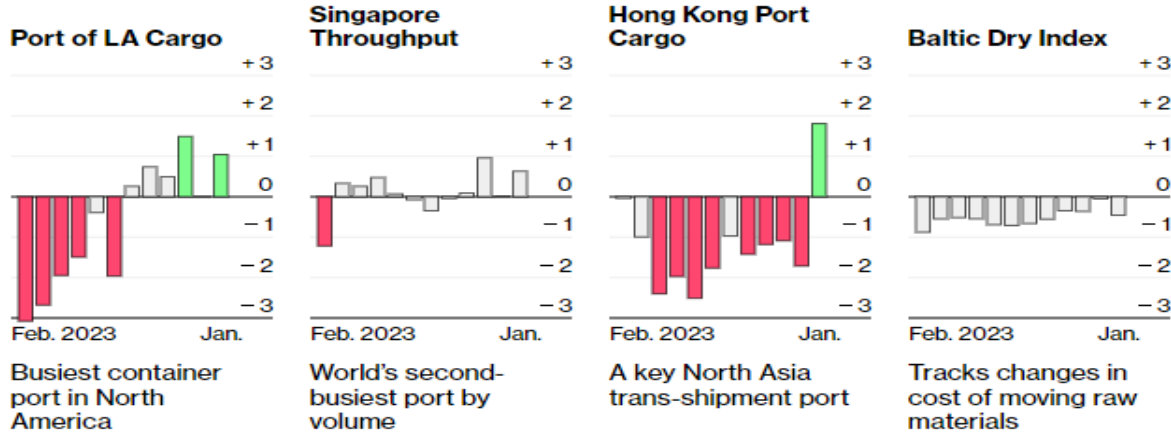
GLOBAL TRADE IS NEGATIVELY IMPACTED BY THE RED SEA TURMOIL

- The global trade recovery is being hampered by worsening attacks in the Red Sea, with bottlenecks in the supply chain threatening to impede the recovery process. In February 2024, Bloomberg's Trade Tracker recorded 4 out of 10 indicators remaining in the negative territory (up from 3 in January 2024), with Taiwan's export orders declining more than expected. Shipping volumes in Los Angeles returned to normal levels, while port activities in Singapore and Hong Kong also decreased.
- Moody's Analytics notes that conflicts in the Red Sea have doubled shipping costs and prolonged delivery times. While businesses may temporarily accept higher prices, the economic consequences will be severe if the Red Sea becomes an infeasible route. According to Moody's Analytics, European automakers, who have already faced fierce competition from China to gain market share in Asia, will now face even greater challenges. Additionally, China's reliance on specialized machinery and chemicals from Europe means significant disruptions could hinder production in Asian industrial hubs, leading to inventory shortages and disrupting assembly lines.

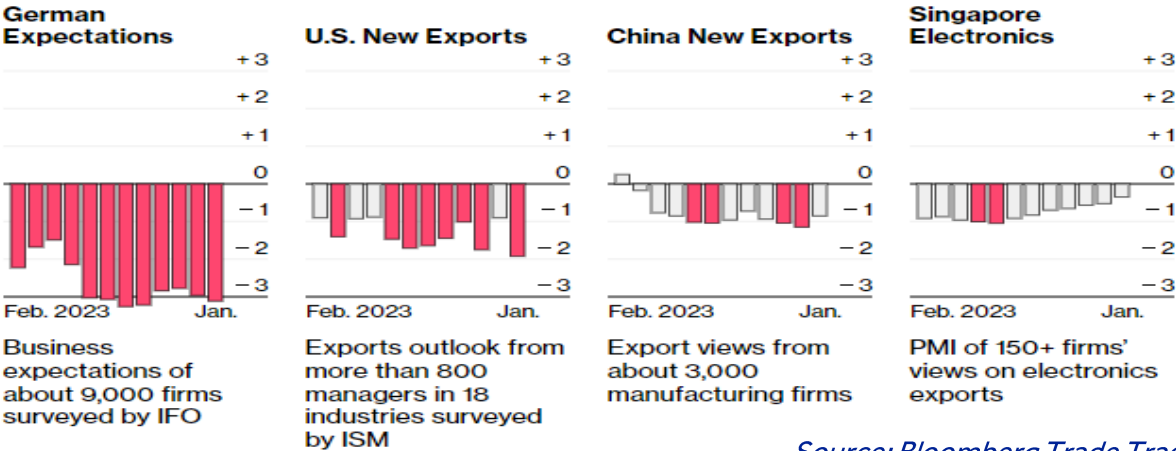
Country Export Volumes



Shipping

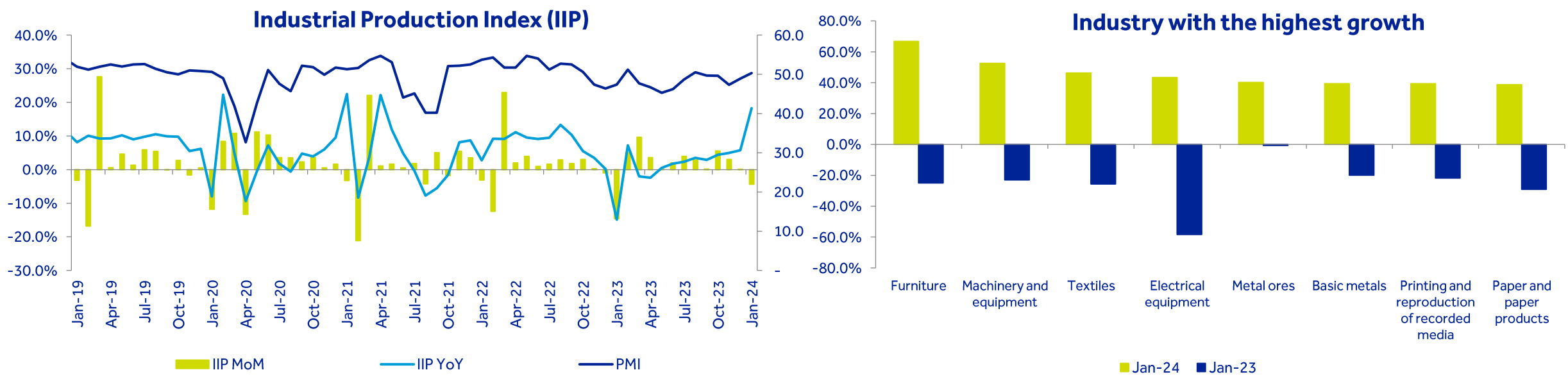


Sentiment



Source: Bloomberg Trade Tracker

INDUSTRIAL PRODUCTION SURGES IN JANUARY 2024

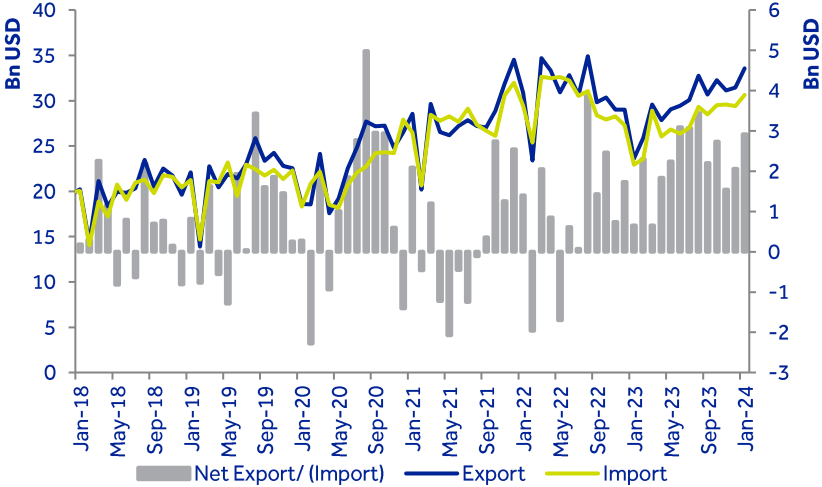


Source: GSO

- Industrial production continues to recover alongside the rebound in trade activities. Although industrial production in January 2024 decreased by 4.4% MoM, this is just a seasonal factor. IIP still maintained an increase of 18.3% YoY.
- Vietnam's PMI in January 2024 also increased to 50.3 (compared to 48.9 in December 2023), indicating that the health of the manufacturing sector improved for the first time in the 5 consecutive months. A slight increase in domestic and export demand helped new orders increase for the first time in 3 months and also helped production recover after 4 months of decline. In addition, backlogs increased for the second consecutive month as production capacity remaining almost unchanged.
- However, delays in transportation are causing longer supplier delivery times, increasing cost pressures.
- We expect the growth momentum of Vietnam's manufacturing sector to continue in the coming months, but the expected pace will still be slow and highly dependent on the economic situation of major partner countries.

TRADE ACTIVITIES CONTINUE TO RECOVER STRONGLY IN JANUARY 2024

Export - Import Monthly

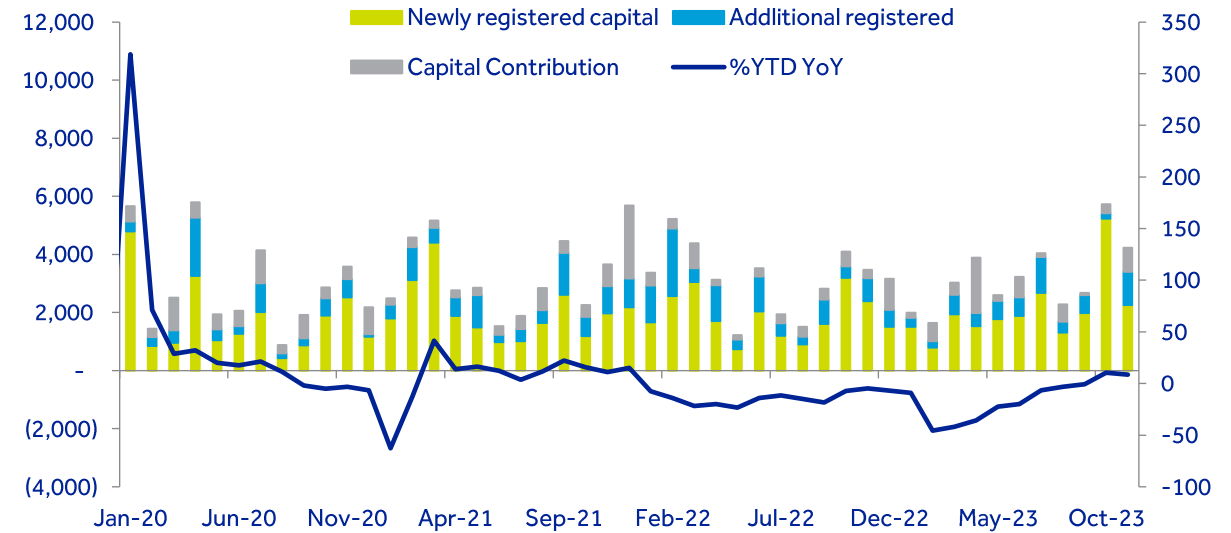
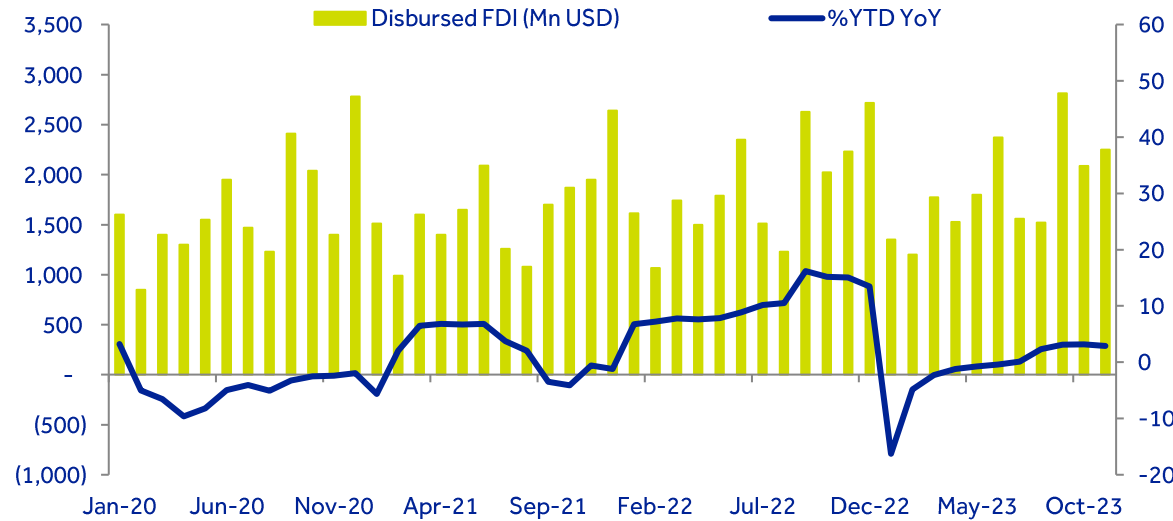


The highest-value Exports (Mn USD)	Jan-2024	% YoY	The highest-value Imports (Mn USD)	Jan-2024	% YoY
Telephones & mobile phones	5,800	15.52%	Computers & electrical products	8,250	25.71%
Computer & electrical products	5,000	57.63%	Machine, equipment, tools & instruments	4,000	46.02%
Machine, equipment, tools and instruments	3,800	31.01%	Fabrics	1,200	28.20%
Textiles and garments	2,900	28.86%	Telephones & mobile phones	900	13.37%
Foot-wears	1,850	35.26%	Iron and steel	850	61.56%
Wood and wooden products	1,400	73.69%	Plastics	774	31.64%
Other means of transportation, parts and accessories thereof	1,300	52.44%	Crude oil	770	13.68%
Iron and steel	734	60.67%	Plastic products	750	45.38%
Fishery products	730	59.66%	Other base metals	748	34.40%
Fruits and vegetables	510	110.72%	Chemicals	720	50.54%

Source: GSO

- Vietnam's import and export recovered in the last months of 2023, helping total export value in 2023 decrease by only 4.4% YoY and import value decrease by 8.9% YoY. For the whole year 2023, the trade surplus reached a record high of 28 billion USD.
- Vietnam's key export items are gradually recovering with positive growth, aligning with the overall trend in Asia. The demand for electronics has increased due to year-end holidays in Vietnam and the recovery of pre-ordering activities in major partner countries. Additionally, there is another optimistic sign as the imports of raw materials for electronic products have also been boosted (+26% YoY) in January 2024.
- The US remains Vietnam's largest export market (USD9.6 billion), while China is the largest import market (USD10.9 billion).

DISBURSEMENT & REGISTER FDI REMAINED POSITIVE

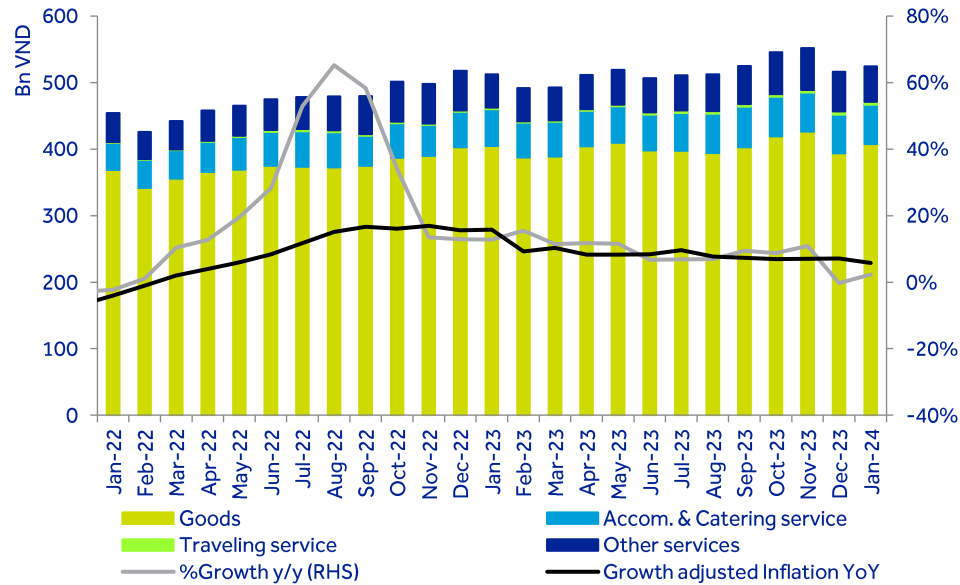


Source: GSO

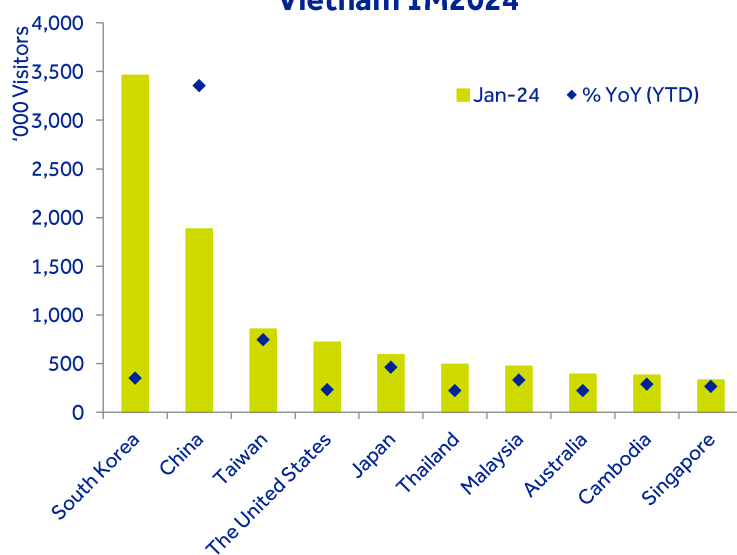
- Registered FDI in Jan 2024 increased strongly by 49% YoY, reaching USD2bn. While disbursed FDI continued to grow steadily, increasing by 9.67% YoY, reaching USD1.5bn.
- Registered FDI for real estate sector accounted for 54% of registered FDI in Jan 2024, up 100% YoY, while registered FDI for manufacturing sector declined by 25%YoY but still accounted for almost 39% of the total registered FDI.
- Provinces and cities with many advantages in attracting FDI, such as Hai Phong, Hanoi, Dong Nai and BR-VT continued to attract the majority of registered FDI.
- Traditional investment partners from Asia such as Singapore, China, Japan, Korea, Hong Kong and Taiwan still accounted for a large proportion.

CONSUMPTION HAS NOT FULLY RECOVERED, STILL LOW GROWTH DESPITE THE LUNAR NEW YEAR

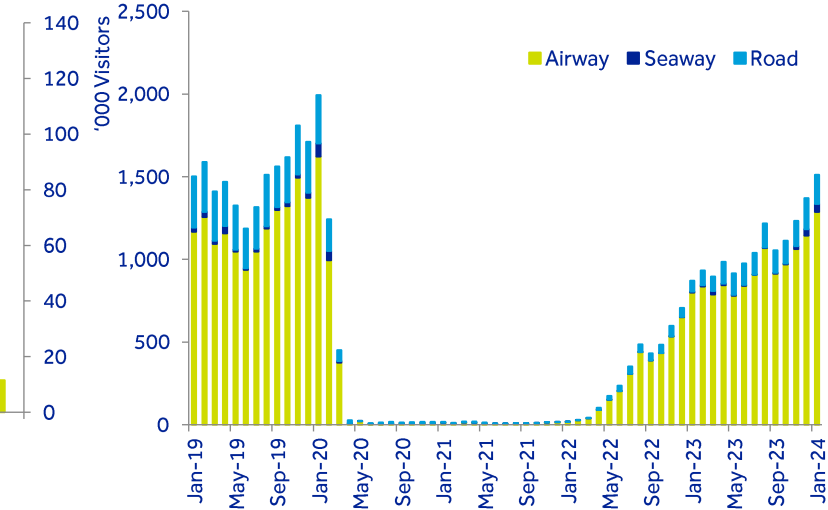
Retail Sale of Goods and Services



Top countries with the most tourists to Vietnam 1M2024



Number of foreigners arrival in Viet Nam

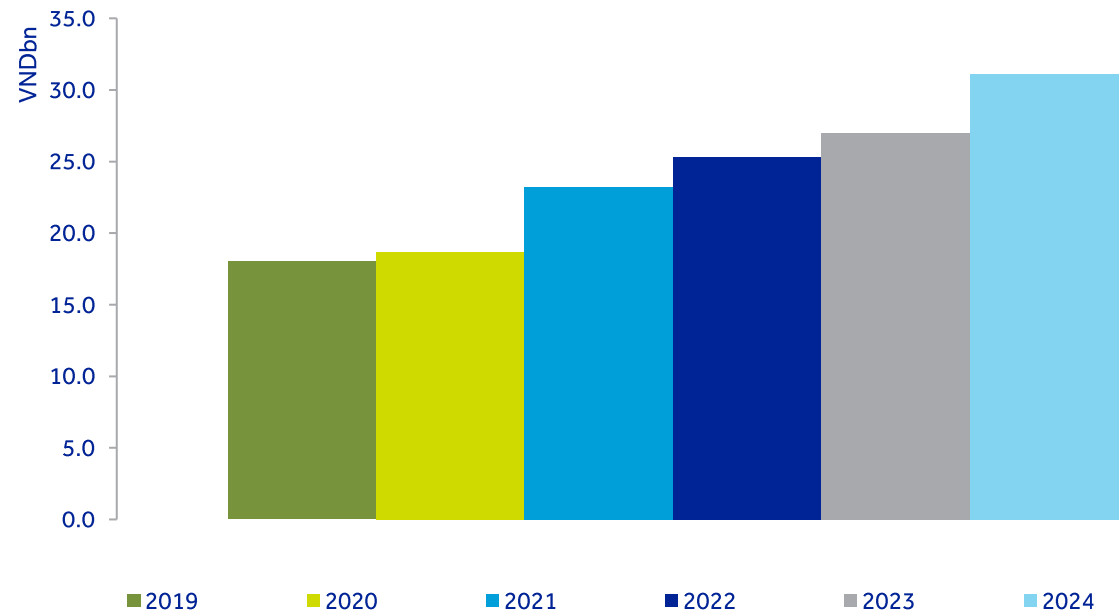


Source: GSO

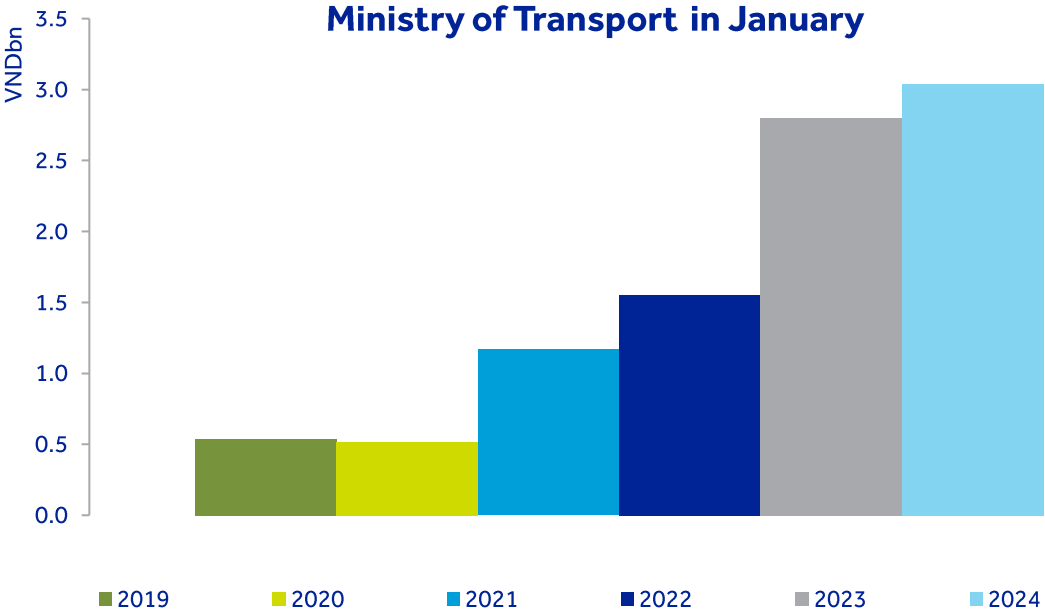
- Total retail sales of goods and consumer services in January 2024 increased by 8.1% YoY, with tourism and travel revenue continuing to have the highest growth, up by more than 155%. The current consumption growth rate is still relatively low because January is the peak holiday month but consumer spending has not seen a breakthrough.
- However, we expect consumer demand to recover in the following months of 2024, bolstered by the subsequent factors: (1) the pro-longed interest rate reductions; (2) The economic growth rebounding; (3) A decline in unemployment, particularly in the industrial sector; and (4) The tourism industry's recovery.

PUBLIC INVESTMENT CONTINUED TO BE PROMOTED

Investment Capital from the State Budget in January



Investment Capital from the State Budget –
Ministry of Transport in January

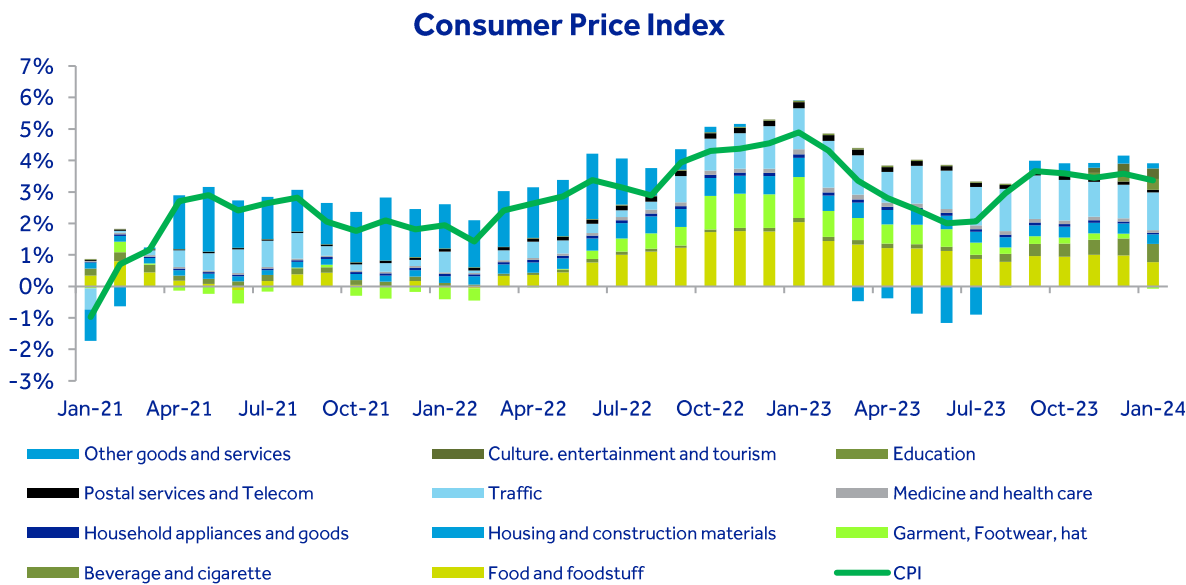


Source: GSO, MPI

➤ **We continued to expect that the Government will continue promoting public investment to support the economy.**

- By end of Jan 2024, public investment disbursement reached VND 31tn, + 12.5% YoY, the highest disbursement level in the last 5 years.
- In addition, infrastructure investment disbursements under the Ministry of Transport also increased compared to previous years, estimated at over VND 3tn in Jan 2024.

INFLATION STABLE AT THE START OF 2024



	Jan-24	Jan-23
Consumer price index CPI (monthly, % yoy)	3.37%	4.89%
Sectors with upward impact		
Education	8.39%	11.60%
Medicine and health care	6.52%	0.64%
Housing and construction materials	6.39%	6.94%
Other goods and services	5.79%	3.49%
Food and foodstuff	2.31%	6.08%
Sectors with downward impact		
Postal services and Telecom	-1.41%	-0.21%

Source: GSO

- According to the GSO, the consumer price index (CPI) in Jan 2024 increased by 0.31% MoM and increased by 3.37% YoY. Average core CPI increased by 2.72% YoY.
- Inflation and core inflation remained flat in January 2024 due to: (1) domestic gasoline and gas prices being adjusted slightly upward at the beginning of the year, and (2) rice and food prices increasing due to demand in preparation for Lunar New Year holiday.
- Although inflation almost unchanged in January 2024, this is still a positive signal for the Vietnamese economy as January is typically a peak month but CPI shows no significant surge. This indicates effective inflation control measures are in place. However, it's worth noting that inflation still remains relatively high at 3.37% YoY, compared to the Government's target of 4.0-4.5%.
- For the whole year 2024, we maintain our expectation of inflation to reach 3.5%.

VIETNAM-KEY MACRO INDICATORS

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Monthly data	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Industrial Production (YoY)	-14.9%	7.2%	-2.0%	-2.4%	0.5%	1.8%	2.3%	3.5%	2.9%	4.4%	5.0%	5.8%	18.3%
<i>Mining and quarrying</i>	-13.0%	9.9%	-4.2%	-5.5%	2.9%	0.2%	-2.1%	-7.1%	-6.4%	-0.8%	-6.9%	-12.8%	7.3%
<i>Manufacturing</i>	-15.6%	6.8%	-2.5%	-2.8%	-0.9%	2.2%	2.6%	4.3%	3.8%	4.5%	5.7%	7.6%	19.3%
<i>Production and distribution of electricity</i>	-12.4%	8.3%	1.8%	2.3%	7.7%	-0.7%	3.8%	5.6%	3.0%	7.4%	9.6%	5.9%	21.6%
<i>Water supply and waste treatment</i>	-1.4%	7.1%	11.1%	8.1%	4.7%	5.7%	1.4%	1.9%	7.0%	5.8%	6.6%	11.5%	5.7%
Purchasing Managers Index	47.4	51.2	47.7	46.7	45.3	46.2	48.7	50.5	49.7	49.6	47.3	48.9	50.3
Retail Sales (YoY)	12.8%	15.5%	11.5%	11.7%	8.1%	6.7%	6.9%	6.9%	7.5%	7.0%	10.1%	9.3%	8.1%
Consumer Price Index (MoM)	0.5%	0.5%	-0.2%	-0.3%	0.0%	0.3%	0.5%	0.9%	1.1%	0.1%	0.3%	0.1%	0.3%
Consumer Price Index (YoY)	4.9%	4.3%	3.4%	2.8%	2.4%	2.0%	2.1%	3.0%	3.7%	3.6%	3.5%	3.5%	3.4%
Export Value (% YoY)	-23.5%	10.5%	-14.8%	-16.4%	-6.0%	-10.3%	-1.8%	-6.2%	2.9%	6.2%	7.2%	8.4%	42.2%
Import Value (% YoY)	-22.1%	-7.1%	-11.5%	-19.8%	-17.8%	-18.2%	-11.6%	-5.6%	0.3%	5.8%	4.6%	7.7%	33.5%
Trade Balance (USDmn)	656	2,300	650	1,834	2,240	3,087	3,067	3,439	2,199	2,734	1,543	2,061	2,920
Disbursed FDI (USDmn)	1,350	1,200	1,770	1,530	1,800	2,371	1,559	1,520	2,813	2,087	2,250	2,930	1,480
Registered FDI exl Cap. Cont.(USDmn)	1,510	790	1,930	1,535	1,776	1,877	2,677	1,315	1,974	5,236	2,260	5,190	2,250

VIETNAM-KEY MACRO INDICATORS

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Quarterly data	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2022	Q3 2023	Q4 2023
GDP (YoY)	5.05%	7.72%	13.67%	5.92%	3.32%	3.72%	5.47%	6.72%
<i>Agriculture, Forestry and Fishing</i>	2.53%	3.02%	3.24%	3.85%	2.52%	3.07%	4.30%	4.13%
<i>Industry and Construction</i>	6.41%	8.87%	12.91%	4.22%	-0.40%	1.13%	5.16%	7.35%
<i>Services</i>	4.64%	8.56%	18.86%	8.12%	6.79%	6.33%	6.43%	7.29%
Industrial Production (YoY)	6.81%	10.83%	10.94%	3.02%	-2.25%	-0.21%	2.84%	4.97%
Retail Sales (YoY)	4.44%	19.46%	41.24%	17.11%	13.87%	8.80%	7.30%	9.30%
Export Value (YTD) (USDmn)	88,579	96,832	95,343	89,049	79,170	85,747	93,540	96,530
Import Value (YTD) (USDmn)	87,770	97,581	89,980	85,340	75,100	77,480	84,859	90,173
Trade Balance (USDmn)	890	-750	5,363	3,709	4,070	8,267	8,681	6,357
Disbursed FDI (USDmn)	4,450	5,640	5,368	6,972	4,320	5,892	5,701	7,267
Registered FDI (USDmn)	7,280	4,480	3,713	7,097	4,230	5,966	5,188	12,686

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