



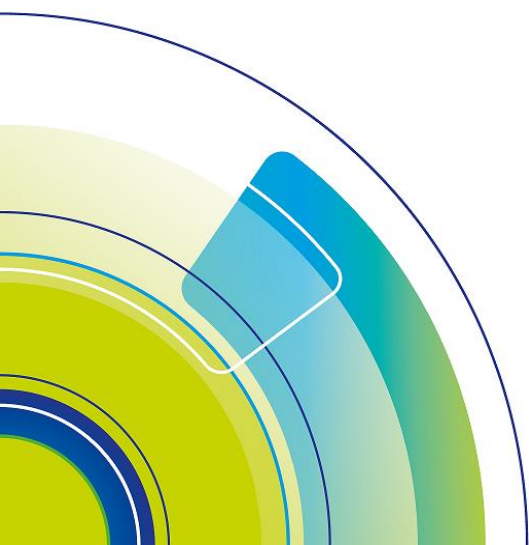
Macro Flash Note

Vietnam's economy: continue to recover

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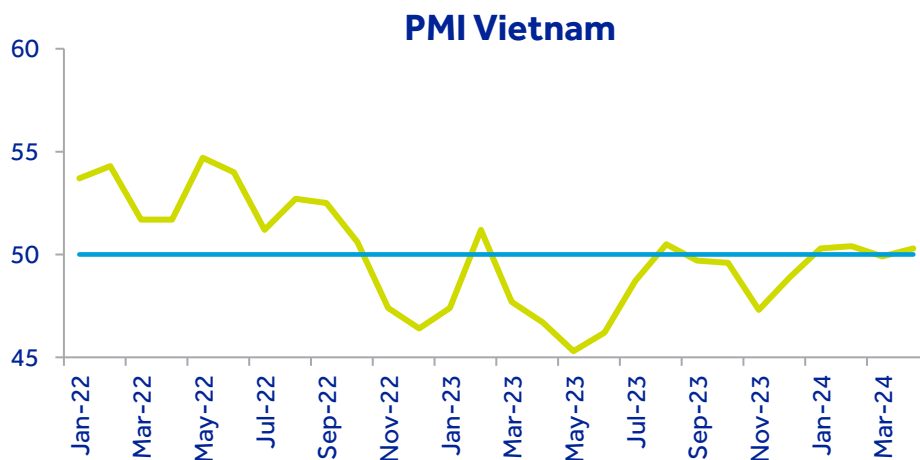
Vietnam's economy continues to recover but inflation raises concerns

- **Index of Industrial Production – IIP** in April increased by 0.8% MoM and increased by 6.3% YoY with manufacturing IIP increased by 7% YoY. For 4M2024, IIP grew by 6.0% YoY.
- **Foreign Direct Investment – FDI** companies in April disbursed USD1.7bn (+7.8% YoY), and registered USD2.6bn (+72% YoY). Disbursed FDI reached USD6.3bn for 4M2024 (+7.4% YoY), registered FDI reached USD8.3bn in 4M2024 (+44.7% YoY).
- **PMI** in April reached 50.3, back to the expanding sentiment.
- **Trade** in April, exports achieved USD30.9bn (+11%YoY), imports achieved USD30.3bn (+16.3%YoY), net surplus of USD680mn. For 4M2024, trade balance was surplus of USD8.2bn with exports 4M2024 reached USD123.8bn (+15.8% YoY) while imports reached USD115.5bn (+13.9% YoY).
- **Consumer Price Index - CPI** in April increased by 0.17% MoM and increased 4.40% YoY. Core CPI increased by 2.81% YoY. Avg CPI in 4M2024 increased by 3.93% YoY.
- **Retail Sales** in April reached VND522tn, increased by 9.0% YoY. For 4M2024, retail sales increased by 8.4% YoY, if excluding the price factor, increasing by 5.3% YoY.
- **Realized Capital under State Budget** reached VND142.8tn in 4M2024 (+5.9% YoY, reaching 20.1% of the whole year plan).
- **State Budget:** Govt. revenue reached VND733.4tn (+10.1% YoY, reaching 43.1% of the plan), Govt. expenditure reached VND522.2tn (+4.4% YoY, reaching 24.6% of the plan).

Our quick comments:

- + **The Vietnamese economy continues to rebound positively**, supported by conventional growth drivers: (1) industrial production activities associated with FDI; (2) strongly growth of disbursed FDI and registered FDI; (3) robust and balanced expansion in import-export activities; and (4) the number of tourists visiting Vietnam, marking a return to pre-pandemic growth levels (foreign visitors surpassed 1.5 million, and the country's retail revenue from tourism activities rose by more than 49% YoY in April 2024).
- + **However, the recovery on the side of demand remains modest**, with a slow recovery of consumption demand as total retail revenue in April 2024 increased by only 9.0% YoY which is still below the pre-pandemic average at 11%.
- + **One positive aspect is that government investment** has somewhat compensated for reduced aggregate demand. Capital disbursement from the state budget increased by 5.9% YoY in 4M2024 (completing 20.1% of the plan).
- + **In April 2024, inflation showed the rising trend**, primarily due to a 4.78% increase in domestic gasoline prices and 2% increase in diesel prices. However, the price of food and foodstuff basket continued to fall, helping to limit the overall CPI increase. However, we are concerned that the rising trend of inflation may continue in the near future due to: (1) recent tensions in the Middle East may lead to high oil prices, which will put upward pressure on inflation; and (2) the FED's decision to reduce interest rates may be delayed until the end of 2024, causing the depreciation of VND. However, the SBV's objective of maintaining low interest rates to stimulate economic growth may keep the USD/VND exchange rate high for an extended period. The combination of low interest rates and high USD/VND exchange rates might contribute to rising inflation.
- + **Nevertheless, we still believe that Vietnam's inflation will still in capable of reaching the government's target of 4.5%** due to: (1) the food and foodstuff basket (which accounts for 33.5% of the CPI baskets) declining after a sharp increase in the first two

months of 2024. The Government is implementing several measures to cool the exchange rate and can adjust taxes and fees on state-controlled items like gasoline, electricity, and water prices to curb inflation.



APPENDIX

| 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 | Feb-24 | Mar-24 | Apr-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% | 18.9% | -6.8% | 4.8% | 6.3% |
| Mining and quarrying | -13.0% | 9.9% | -4.2% | -5.5% | 2.9% | 0.2% | -2.1% | -7.1% | -6.4% | -0.8% | -6.9% | -12.8% | 9.2% | -15.4% | -6.9% | -6.8% |
| Manufacturing | -15.6% | 6.8% | -2.5% | -2.8% | -0.9% | 2.2% | 2.6% | 4.3% | 3.8% | 4.5% | 5.7% | 7.6% | 18.7% | -6.5% | 5.1% | 7.0% |
| Production and distribution of electricity | -12.4% | 8.3% | 1.8% | 2.3% | 7.7% | -0.7% | 3.8% | 5.6% | 3.0% | 7.4% | 9.6% | 5.9% | 29.9% | -3.7% | 10.9% | 11.3% |
| Water supply and waste treatment | -1.4% | 7.1% | 11.1% | 8.1% | 4.7% | 5.7% | 1.4% | 1.9% | 7.0% | 5.8% | 6.6% | 11.5% | 6.3% | -1.1% | 12.0% | 6.6% |
| 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% | 8.1% | 9.2% | 9.0% |
| 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% | 1.0% | -0.2% | 0.1% |
| 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% | 4.0% | 4.0% | 4.4% |
| 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% | 46.2% | -4.1% | 13.8% | 10.6% |
| 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% | 34.6% | 0.6% | 7.5% | 19.9% |
| 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 | 3,632 | 1,100 | 2,579 | 680 |
| 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 | 1,320 | 1,830 | 1,650 |
| Registered FDI excl 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 | 1,790 | 1,660 | 2,640 |

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