



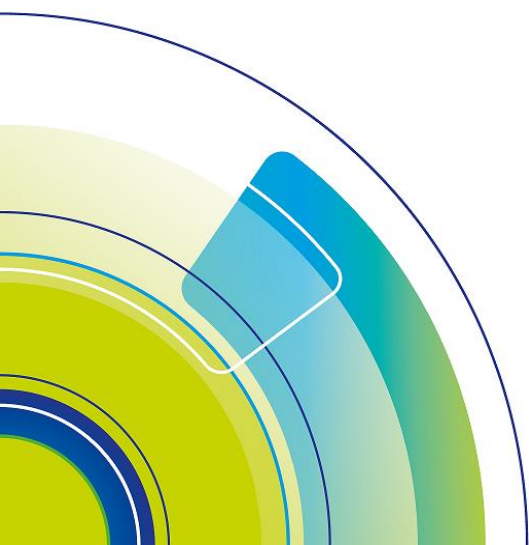
Macro Flash Note

Picking up CPI, but trade deficit reveals opportunities

May 30, 2024

Minh Trinh

Analyst, Macro & Money Market



Minh Trinh Viet

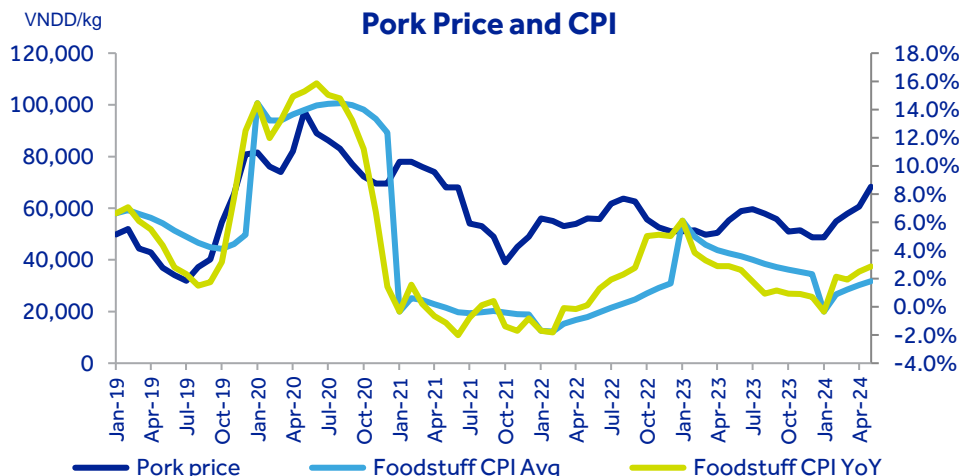
minhtvh@acbs.com.vn

May 2024: Picking up CPI but trade deficit reveals opportunities.

- **Index of Industrial Production – IIP** in May increased by 3.9% MoM and increased by 8.9% YoY, of which manufacturing IIP increased by 10.6% YoY. For 5M2024, IIP grew by 6.8% YoY.
- **Foreign Direct Investment – FDI** companies in May disbursed USD1.97bn (+9.4% YoY), and registered USD1.7bn (-5.5% YoY). For 5M2024, disbursed FDI reached USD8.3bn (+7.8% YoY), registered FDI reached USD10bn (+32.8% YoY).
- **Trade** in May, exports achieved USD32.8bn (+12.9%YoY), imports achieved USD33.8bn (+26.1%YoY), causing to a net deficit of USD1bn. For 5M2024, trade balance was surplus of USD7.7bn with total exports reached USD156.7bn (+15.3% YoY) and total imports reached USD149.1bn (+16.2% YoY).
- **Consumer Price Index – CPI** in May increased by 0.05% MoM and increased 4.44% YoY. Core CPI increased by 2.68% YoY. Avg CPI in 5M2024 increased by 4.03% YoY.
- **Retail Sales** in May reached VND520tn, increased by 9.5% YoY.
- **Realized Capital under State Budget** reached VND190.6tn in 5M2024 (+5.0% YoY, completing 26.6% of the whole year plan).
- **State Budget:** Govt. revenue reached VND898.4tn (+14.8% YoY, completing 52.8% of the plan). Govt. expenditure reached VND656.7tn (+0.5% YoY, completing 31% of the plan).

Our quick comments:

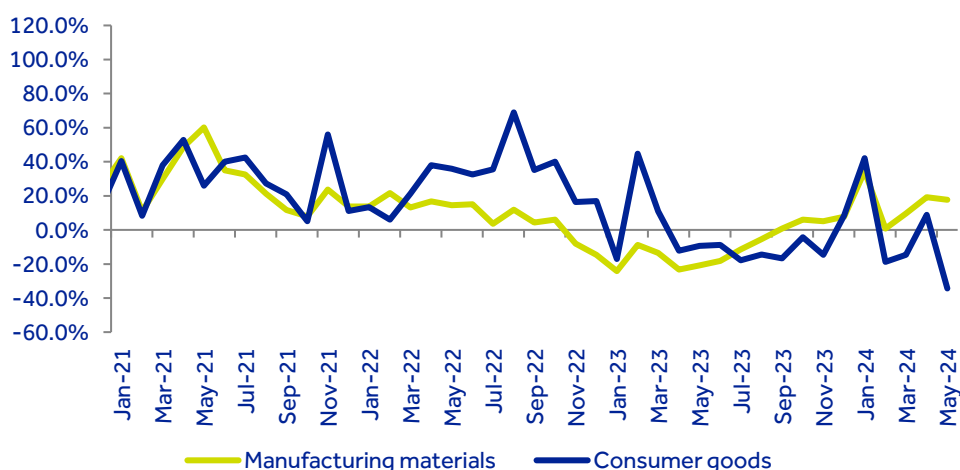
- + **The Vietnamese economy continued to recover positively in May 2024**, driven by traditional growth drivers: (1) industrial production activities related to FDI companies (the IIP of Manufacturing increased by 10.6% YoY); (2) FDI disbursements remained stable (+9.4% YoY); (3) import and export activities rebounded strongly, with exports recovering robustly from the FDI sector (FDI group exports +10.85% YoY); and (4) tourism growth returned to pre-pandemic levels (international arrivals to Vietnam in 5M2024 increased by 3.9% YoY compared to 5M2019, and retail revenue from travel activities increased by more than 23% YoY in 5M2024 compared to 5M2019).
- + **However, the recovery in aggregate demand remained weak. Specifically** consumer demand recovered slowly as retail sales of goods in May 2024 increased by only 8.2% YoY (still below the pre-pandemic average growth rate of 11%. Overall retail sales of goods and services increased by only 8.7% YoY in 5M2024. Excluding price factors, the increase was only 5.2% YoY in 5M2024.
- + **Inflation continued to be a concern** which average CPI of 5M2024 reach 4% while pork prices are peaking up (+ 40% YTD and reaching the highest level since 2020). Additionally, fuel prices are unlikely to decrease as global oil demand is beging stronger over the summer due to travel, consumption, and winter-stock up activities. Nevertheless, we assess that Vietnam's inflation can still achieve the Government's target of 4.5%, and the Government will implement various regulatory measures to stabilize prices if there are fluctuations beyond acceptable levels.



Source: GSO and Anova Feed

- + **A trade deficit should be seen as a positive signal rather than a concern.** Vietnam recorded its first month of trade deficit balance in nearly 2 years (deficit of USD1 bn in May 2024). At first glance, this seems like bad news, as it added more pressure on the already tight exchange rate. However, digging deeper into data, it could be a positive signal for the economy. Accordingly, the strongest growth drivers of the imports are raw materials for production, such as: electronics, telephones, electrical appliances, and textiles. As a result, today's spike in imports could pave the way for future exports in these critical areas. The lagging of imports in 2023 helped create a trade surplus and dampened the exchange rate pressure, but it also slowed down the economy growth. Hence, the trade deficit at this time, despite putting short-term pressure on the exchange rate, opens up more positive signals for the recovery phase of the production, processing, and manufacturing sectors in the near future.

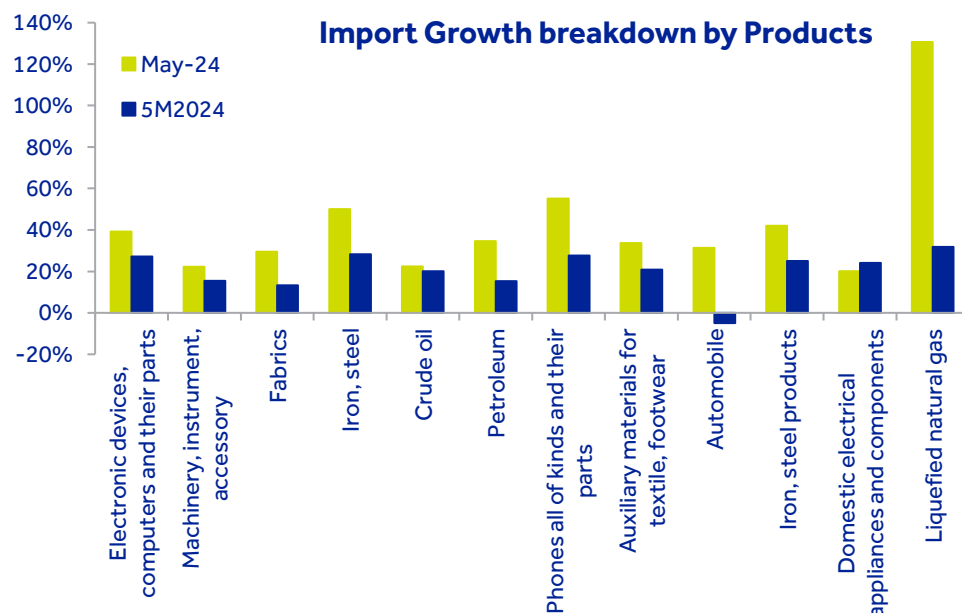
Growth of Manufacturing Materials Import (YoY)



Source: GSO and Custom VN

- + More specifically, import data has shown a clear uptick starting from early April, following a period of sluggish growth. Imported goods focused on key production materials such as electronic components, computers, machinery and equipment, textile raw materials, and steel. Imports of electronic components, computers, and machinery and equipment increased by 20-50% YoY in May 2024 alone, expected to boost exports by 20-30% YoY in the second half of 2024. The strong growth in textile

raw materials (+33% YoY in May 2024 and more than 20% YoY in the first 5 months) signals that textile orders may increase well in 2H2024. Imports of steel and steel products also rose sharply in April and May 2024 (+16% YoY in April 2024 and +47% YoY in May 2024), with more than 60% coming from China. This can be seen as a move to stockpile cheap steels to meet rising consumption demand while also coping with policy risk on upcoming tariffs.



Source: GSO and Custom VN

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	May-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%	7.4%	8.9%
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%	-5.0%	-9.4%
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%	7.8%	10.6%
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%	13.9%	11.4%
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%	9.1%	7.4%
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%	9.5%
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%	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%	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%	-4.6%	13.8%	11.4%	12.9%
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%	-1.2%	7.5%	15.2%	26.1%
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	1,382	2,579	1,066	- 1,000
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	1,970
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	1,790	1,660	2,640	1,678

CONTACTS

Ho Chi Minh City Head Office

117 Nguyen Dinh Chieu, Dist. 3, Ho Chi Minh City
Tel: (+84 28) 7300 7000
Fax: (+84 28) 7300 3751

Hanoi Office

10 Phan Chu Trinh, Hoan Kiem Dist., Ha Noi
Tel: (+84 4) 3942 9395
Fax: (+84 4) 3942 9407

RESEARCH DEPARTMENT

Acting Head of Research

Trang Do

(+84 28) 7300 7000 (x1041)
trangdm@acbs.com.vn

Manager – Properties

Truc Pham
(+84 28) 7300 7000 (x1043)
trucptt@acbs.com.vn

Manager – Financials

Hung Cao
(+84 28) 7300 7000 (x1049)
hungcv@acbs.com.vn

Manager – Consumer-related, Technology

Chi Luong
(+84 28) 7300 7000 (x1042)
chiltk@acbs.com.vn

Associate – Oil & Gas

Hung Phan
(+84 28) 7300 7000 (x1044)
hungpv@acbs.com.vn

Associate – Industrials

Trung Tran
(+84 28) 7300 7000 (x1045)
trungtn@acbs.com.vn

Associate – Macro & Money Market

Minh Trinh Viet
(+84 28) 7300 7000 (x1046)
minhtvh@acbs.com.vn

Associate – Utilities

Toan Pham
(+84 28) 7300 7000 (x1051)
toanpd@acbs.com.vn

Analyst – Technical

Huu Vo
(+84 28) 7300 7000 (x1052)
huvvp@acbs.com.vn

Associate – Logistics

Hung Nguyen
(+84 28) 7300 7000 (x1047)
hungnt@acbs.com.vn

Associate – Construction

Dat Do
(+84 28) 7300 7000 (x1048)
datdt@acbs.com.vn

Analyst – Market data

Anh Mai
(+84 28) 7300 7000 (x1110)
anhmd@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Director

Huong Chu

(+84 28) 7300 7000 (x1083)
huongctk@acbs.com.vn
groupis@acbs.com.vn

Associate

Huynh Nguyen

(+84 28) 7300 6879 (x1088)
huynhntn@acbs.com.vn

Associate

Thanh Tran

(+84 28) 7300 6879 (x1120)
thanhtt@acbs.com.vn

DISCLAIMER

Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2024). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.