

Macroeconomics report

May 2024 report: Strong import growth in May indicates a clear recovery in manufacturing activity

Global macroeconomics – ECB may cut interest rates as early as June

In our view, ECB may cut interest rates in June, while FED may remain cautious due to ongoing inflation in the US.

Global manufacturing activity is recovering, driven by increasing new orders in recent months. TVS Research expects that this will be a key driver of global economic recovery in 2H 2024.

Vietnam macroeconomics – Strong import growth boosts prospects for export-import growth in 2H 2024

In May 2024, inflation increased slightly by 0.1% compared to April. Headline CPI in May reached 4.4% YoY with a slight 0.1% MoM increase. This was driven by contributions from the Food and dining services sector (+0.38% YoY). Conversely, impact from the Transportation sector decreased by 1.7% MoM.

Vietnam experienced its first trade surplus month in the past two years. Imports surged by 29.9% YoY, particularly in sectors related to FDI, such as computers, machinery, and equipment. We expect that growth in import will signal positive prospects for manufacturing activities and set the stage for export growth in 2H 2024.

Currency market – SBV curbed VND depreciation against USD through foreign reserve operations

In May 2024, the USD/VND exchange rate increased by 0.1% MoM. However, this upward pressure was mitigated due to (1) DXY index decreased by 1.4% during May, as global markets anticipated an early interest rate cut by FED (2) SBV sold over USD 3 billion in May. Despite these efforts, pressure on the USD/VND exchange rate persists due to FED's delay of interest rate cuts in 2024.

Global Macro	May 24	% MoM	%YTD
Inflation rate:			
US	3.5%	0.5%	0.3%
EU	2.4%	0%	-0.4%
China	0.1%	-0.4%	0.1%
PMI:			
US	50.1	-0.3	2.8
EU	45.7	-0.7	-2.9
China	51.4	0.3	-0.1

Vietnam Macro	May 24	% MoM	%YoY
CPI	4.4%	0.1%	4.4%
PMI	50.3	0.0	5.0
IIP	8.9%	3.9%	8.9%
Export (USD bn)	32.8	6.0%	17.0%
Import (USD bn)	33.8	11.7%	29.9%
Retail sales (VND tn)	519.8	-0.1%	9.5%
Public Inv. (VND tn)	48.2	10.9%	11.7%
Disb. FDI (USD bn)	2.0	19.4%	4.3%

Currency market	May 24	%MoM	%YTD
USD/VND	25,450	0.1%	4.9%

Commodity markets	May 24	%MoM	%YTD
BCOM Index	101.6	2.2%	2.7%

Notes:



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Commodity markets – Commodity prices increased in May 2024

In May 2024, commodity prices increased slightly as the BCOM index rose by 1.3% MoM. BCOM Index continued to climb due to higher prices for essential commodities such as food and precious metals. However, oil prices experienced a slight decline.

Global macroeconomics

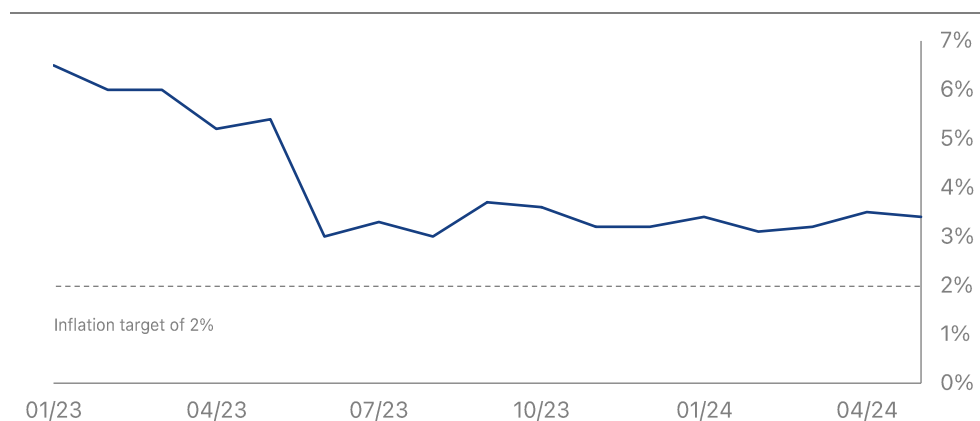
We believe that the FED will continue to keep interest rates at their current level until the end of Q3 2024.

TVS Research maintains our view stated in our macroeconomic update in April 2024 that FED may reduce interest rates at most once in 2024. The primary reason is inflation data for April 2024, which was at 3.4% YoY, exceeding the 2% inflation target set by the FED. Consequently, FED remains cautious and hesitates to lower interest rates.

We observe that other relevant indicators related to inflation, such as personal consumer spending and consumer credit growth, have either plateaued or declined. If these trends persist, we anticipate that the FED may begin implementing interest rate cuts starting in Q4 2024.

Figure 1: Inflation in the US stayed above 3% in May 2024

CPI in the US from Jan 2023 – present [%]



Source: Bloomberg, TVS Research

Figure 2: US consumer spending decreased slightly in April 2024

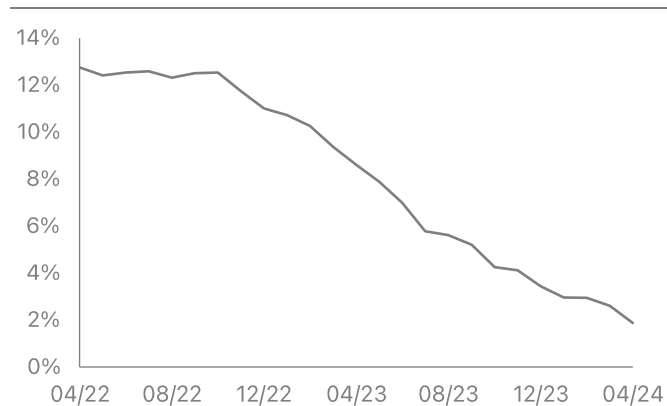
Consumer spending growth [% YoY]



Source: FRED, TVS Research

Figure 3: Consumer credit growth in the US continued to decrease in April 2024

Consumer credit growth in the US [% YoY]



Source: FRED, TVS Research

Industrial manufacturing in major economies continued to recover in May 2024, notably the EU.

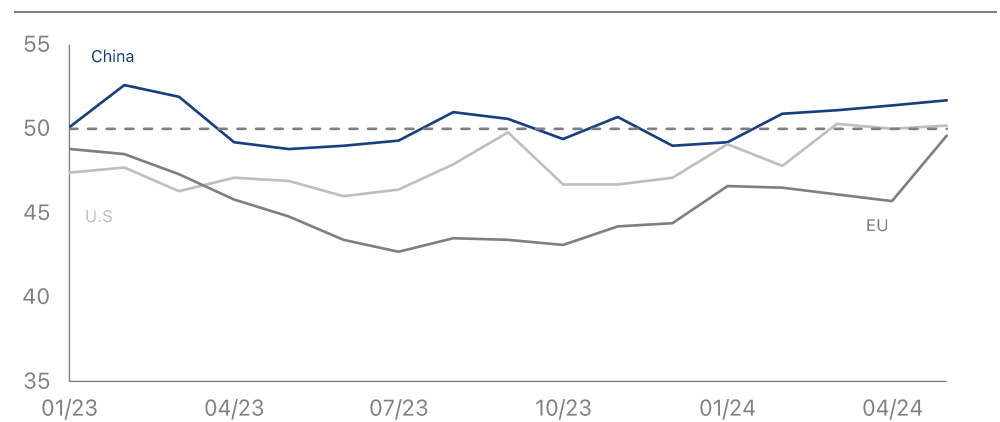
Industrial manufacturing in major economic regions continued to grow in May 2024. Particularly, industrial production in Europe has surged and approached neutral levels, with the manufacturing Purchasing Managers' Index (PMI) rising to 49.6 points in May 2024.

In the United States and China, industrial manufacturing continued to improve during the same period.

We expect that this positive trend in industrial activity in large economic regions will have a favorable impact on Vietnam's export activities in 2H 2024.

Figure 4: Industrial manufacturing in China, US and EU improved in May 2024

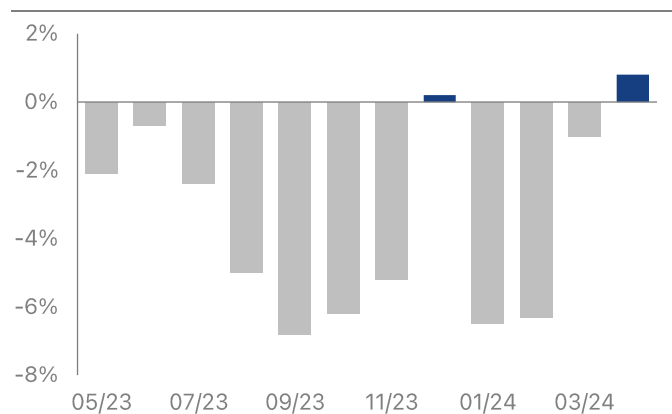
Manufacturing PMI of China, US and EU [points]



Source: S&P, TVS Research

Figure 5: Industrial production in EU began to recover in April 2024

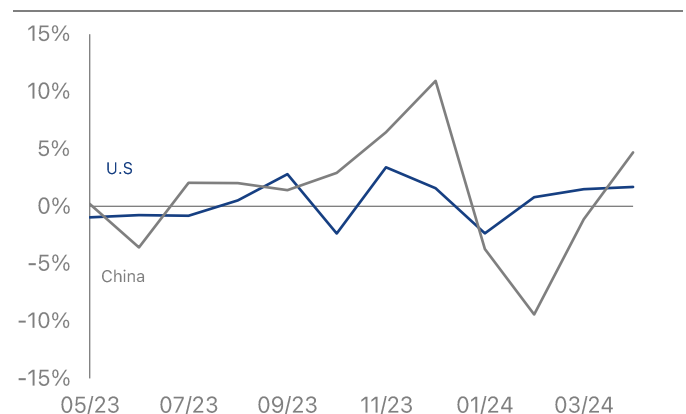
Industrial production growth in EU [%]



Source: Bloomberg, TVS Research

Figure 6: New orders improved in the United States and China, contributing to the rebound in production.

New orders growth [%]



Source: Bloomberg, TVS Research

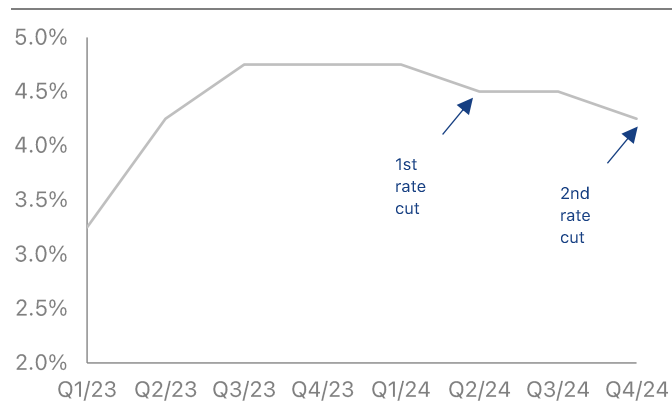
ECB may cut interest rate starting June 2024

We expect that the ECB may cut interest rates during the June 2024 meeting. The primary objective of this early rate cut is to support economic growth in the region. In Q1 2024, the Eurozone's GDP growth increased by only 0.4% YoY, while the ECB has set a target of 0.6% GDP growth for the entire year.

The impact of the ECB's interest rate cut while FED maintains its current interest rates could weaken the EUR relative to USD, resulting in an increase in the DXY Index. This effect may also contribute indirectly to an appreciation in the USD/VND exchange rate in the coming months.

Figure 7: ECB may cut interest rate starting June 2024

ECB prime rate [%]



Source: Bloomberg, TVS Research

Figure 8: ... which could increase DXY Index and indirectly affect EM markets' exchange rate

EM Index and DXY Index [points]



Source: Bloomberg, TVS Research

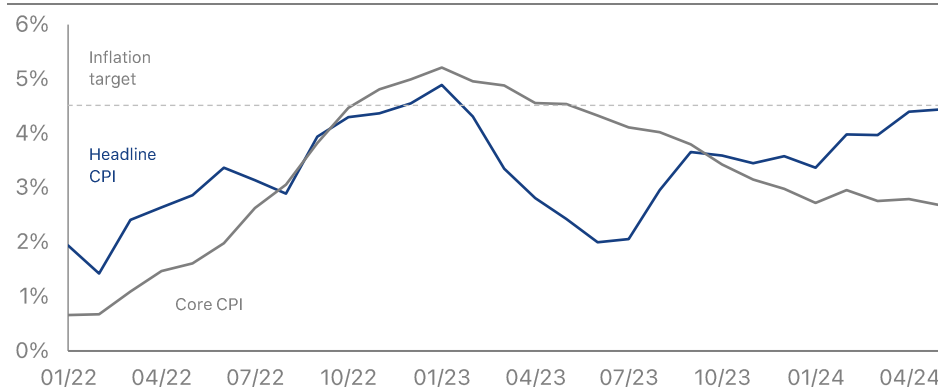
Vietnam macroeconomics

We expect inflation to maintain at 4.0% - 4.5% in the coming months.

In May 2024, inflation increased slightly by 0.1% MoM. Overall CPI increased 4.4% YoY and 0.1% MoM. The modest rise in May was primarily driven by the Food & Beverage sector (+0.38% YoY), as domestic markets continued to face pork supply shortages, leading to an average increase of nearly 2% in pork prices compared to April 2024. Conversely, the Transportation sector's growth decreased by 1.7% MoM due to a 5% - 6% drop in domestic gasoline prices compared to the previous month.

We believe that the upward trend in food prices, especially pork, will continue to exert pressure on the CPI in the coming months since prices for these commodities remained relatively low in 2023, while supply shortages persist. **Therefore, TVS Research expects the CPI to remain elevated, around 4.0% - 4.5% in the coming months.**

Figure 9: Overall CPI increased slightly in May 2024 compared to April
Vietnam core and overall CPI from Jan 2022 – present [%YoY]



Source: GSO, TVS Research

Figure 10: Pork prices continued to increase in May

Average pork price from Jan 2023 – present [VND/kg]



Source: Wifeed, TVS Research

Figure 11: Gasoline price in May 2024 decreased

RON 95-III price from Jan 2023 – present [VND thousand/kg]



Source: Wifeed, TVS Research

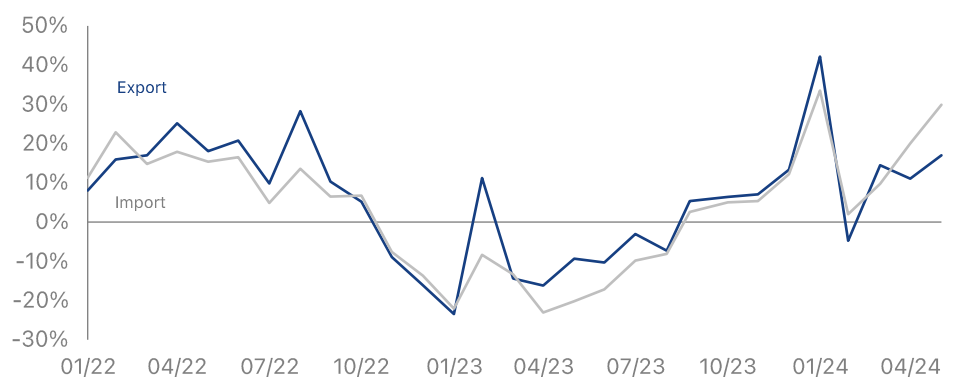
Trade activities are expected to continue growing in the coming months due to sustained strong growth in imports during May 2024

In May 2024, strong import growth led Vietnam to achieve its first trade surplus in nearly two years. Export and import values in May 2024 reached USD 32.8 billion (+17.0% YoY, +6.0% MoM) and USD 33.8 billion (+29.9% YoY, +11.7% MoM), resulting in a trade surplus of USD 1 billion for the month. Key export items from foreign direct investment (FDI) sectors showed robust growth in May, including mobile phones & components (+56.6% YoY), computers & electronic products (+34.3% YoY), and machinery & equipment, spare parts (+19.5% YoY).

The strong import growth in May 2024 was driven by increased imports from (1) FDI-related sectors such as computers & components (+44.2% YoY), machinery & equipment (+23.7% YoY), and (2) major domestic export sectors like textiles (fabric +31.2% YoY, cotton +21.0% YoY, and textile raw materials +40.3% YoY) and steel (various types of iron and steel +50.6% YoY, iron and steel products +44.1% YoY). Despite exchange rate fluctuations, this import growth signals positive momentum in economic recovery and serves as a precursor to export growth in 2H 2024.

Figure 12: Export and Import maintained positive growth in April 2024

Export and Import growth from Jan 2022 – present [% YoY]



Source: GSO, TVS Research

Figure 10: Textile materials import increased significantly in the last 2 months

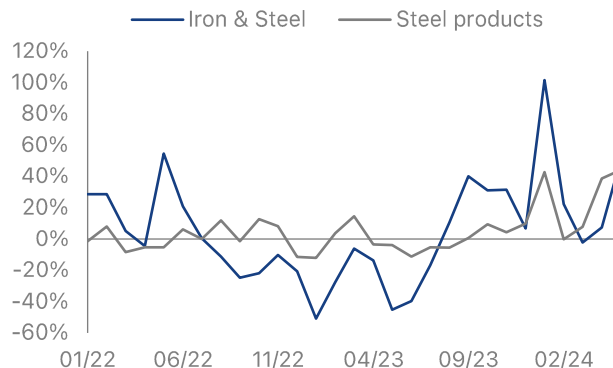
Textile materials import growth [% YoY]



Source: GSO, TVS Research

Figure 11: Steel and Steel product import increased sharply in May 2024

Steel and steel products import growth [% YoY]



Source: GSO, TVS Research

Retail sales growth in May 2025 decreased slightly compared to April.

In May 2024, total retail sales of goods and services reached VND 519,760 billion (+9.5% YoY, -0.1% MoM). The slowdown in the retail sector during May 2024 was partly due to reduced consumer demand following an extended holiday period from late April to early May 2024. Additionally, the tourism industry experienced a decline in the number of international tourists visiting Vietnam, with only 1.4 million arrivals in May (+51.0% YoY, -11.1% MoM). This marked the second consecutive month of decreased international visitors compared to the previous month.

Looking ahead to retail and consumption trends, we anticipate a more positive recovery in purchasing power during the last six months of the year. Both manufacturing and import-export sectors have shown strong signs of recovery since the beginning of the year. Furthermore, the Ministry of Finance has proposed continuing a 2% reduction in Value Added Tax (VAT) for the last six months of the year, signaling the government's commitment to promoting domestic consumption.

Therefore, we expect retail growth in the coming months to exceed 10% YoY, surpassing the levels observed in the early months of the year.

Figure 12: Retail sales growth in May 2024 increased by 9.5% YoY

Retail sales growth from Jan 2023 – present [% YoY]



Source: GSO, TVS Research

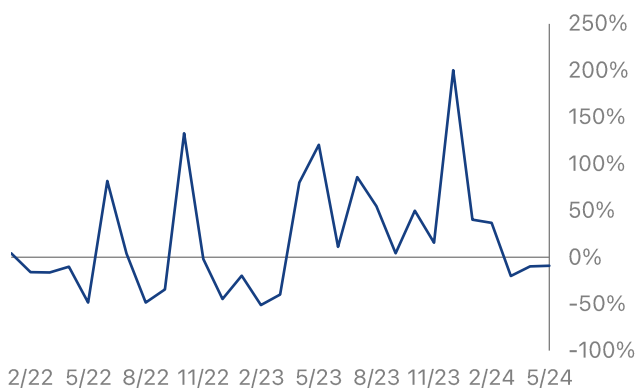
Manufacturing and processing industry sector continues to dominate new registered FDI.

In May 2024, the total registered and disbursement FDI reached USD 1.8 billion (-9.1% YoY) and USD 2.0 billion (+9.4% YoY), respectively. Regarding the FDI structure for the month, the manufacturing and processing industry continued to lead with a total value of USD 1.3 billion (-15% YoY), accounting for 71% of the FDI registered in May 2024.

We believe that the growth of FDI inflows in the coming period will depend significantly on government policies related to taxes, land leasing fees, and infrastructure improvements. In addition to traditional investors from Singapore and Japan, we also expect stronger FDI flows into Vietnam from potential partners such as the United States and China.

Figure 14: Registered FDI in May 2024 decreased 9.1% YoY

Registered FDI monthly growth [% YoY]



Source: Fiinpro-X, TVS Research

Figure 13: The number of international tourists visiting Vietnam declined to 1.4 million in May 2024

Number of international tourists visiting Vietnam [mn]

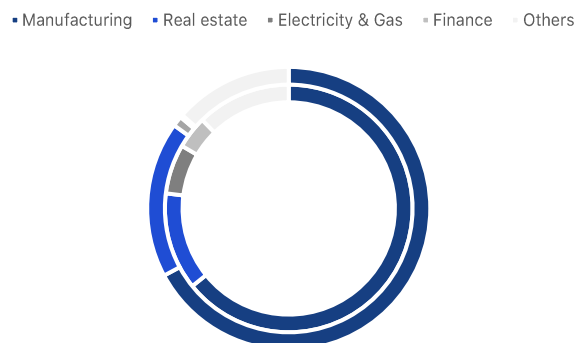


Source: GSO, TVS Research

Figure 15: The main sectors attracting FDI in 5M 2024 are Industrial and Real Estate

FDI structure by sectors [%]

Inner circle – 2023, Outer circle– 5M 2024



Source: Fiinpro-X, TVS Research

Currency market & Money market

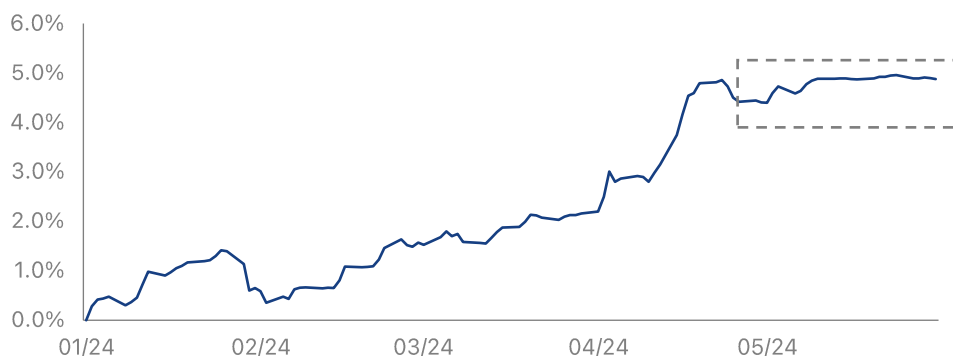
Exchange rate edged up 0.1% in May 2024 after the SBV sold over USD 3 billion in the month.

As of the end of May 2024, the USDVND exchange rate reached 25,455 VND/USD, equivalent to a 4.9% YTD increase. Thus, the USD/VND exchange rate only increased by 0.1% in May 2024 compared to the end of April. In our view, the downward pressure on domestic exchange rates in May was due to (1) DXY index falling 1.4% in May as global markets expected the FED to cut rates early and (2) SBV selling over USD 3 billion to banks in mid-May.

Although exchange rate pressures have cooled in May, we still believe that USD/VND exchange rate pressures on the domestic market will persist in the coming months as the FED continues to delay rate cuts in 2024. At the same time, strong import growth will also increase demand for USD, impacting the exchange rate. We expect exchange rate pressures to ease in the second half of 2024 after the FED cuts rates.

Figure 16: USDVND exchange rate went sideways in May 2024

Performance of USDVND rate in 2024 [% YTD]



Source: Bloomberg, TVS Research

Figure 17: DXY index decreased in May 2024

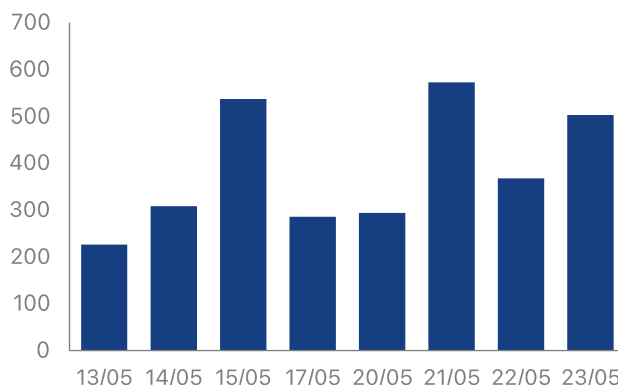
DXY index [pts]



Source: Bloomberg, TVS Research

Figure 18: SBV sold more than USD 3 billion in May 2024

Value of USD sold to commercial banks in May 2024 [USD million]



Source: TVS Research summary

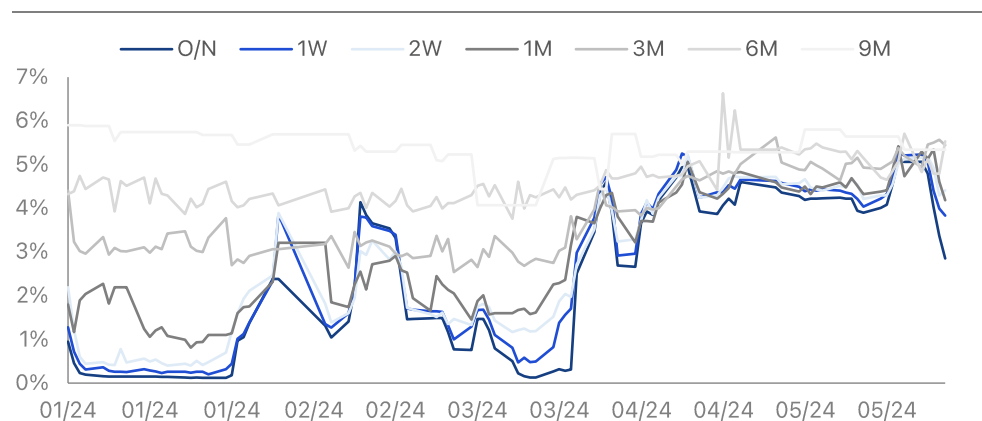
Interbank rates peaked in May 2024.

Interbank rates surged to a peak of 5.1% in May, but then declined to 2.9% by month-end. O/N rates in May averaged 4.3% (higher than the average of 4.0% in April). Thanks to the rise of interbank rates above 4% and open market operations by the SBV, the interest rate differential between USD and VND has narrowed, thereby curbing the sharp rise in the exchange rate in May.

We believe that pressure on the USD/VND exchange rate will persist, especially as the FED continues to delay rate cuts. Therefore, in our view the SBV will continue to conduct open market operations in case of exchange rate fluctuations as occurred in May.

Figure 19: Interbank interest rates for terms below 1-month significantly increase in April 2024

Interbank interest rates since 2024 – present [%/year]



Source: FiinPro-X, TVS Research

Deposit rates in May 2024 showed an upward trend across commercial banks.

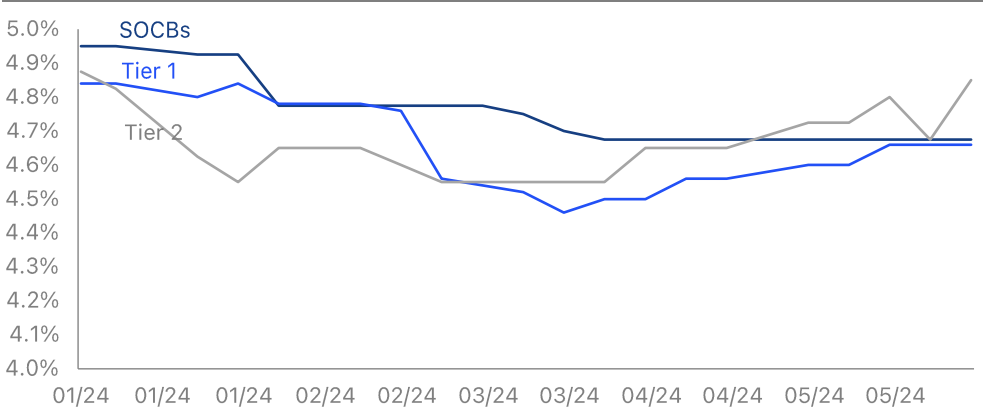
Deposit rates across the system showed an upward trend in May 2024 compared to previous months. In May 2024, we observed an upward trend in the average deposit rates of Tier-2 banks in our watchlist, while SOE banks and Tier-1 banks maintained their current rates. However, the overall interest rate level bottomed out in March - April.

The low deposit rate base has also caused a significant decline in capital mobilization activities. However, we believe that deposit rates will remain at their current low levels across banks in the system as the SBV maintains a low interest rate policy to support the economy. Deposit rates could increase again when credit demand recovers in H2 2024.



Figure 20: Deposit interest rates remained low in May 2024

Deposit interest rates 12-month term by tier [%/year]



Source: TVS Research summary

Note: SOCBs: VCB, BID, VTG, Agribank; Tier 1: ACB, MBB, TCB; Tier 2: HDB, SHB, STB, VIB

Commodity markets

Resurgence in demand for goods is being driven while oil prices dropped

Goods prices inched up in May as the BCOM index rose 1.3% MoM. The BCOM index continued to rise in the month as prices of basic goods such as food and precious metals increased, while oil prices fell slightly.

According to TVS Research, prices of precious metals such as gold continued to rise in May due to the accumulation of demand from central banks. Food prices also increased due to a decline in supply from Brazil and Russia. Meanwhile, increased supply in the US caused oil prices to fall slightly in May.

Figure 21: BCOM index slightly increased in May

BCOM Index [points]



Source: Bloomberg, TVS Research

Energy price

- **Brent crude oil prices** averaged USD 81.6/barrel in May 2024, down 7.1% ytd. The decline in oil prices was mainly due to the US increasing its oil reserves, indicating that oil supply remains abundant.
- **Natural gas prices** in May 2024 rose to USD 2.59/mmBTU, up 11.6% MoM. The increase in gas prices was mainly due to the increase in cooling demand in Europe as summer approaches.
- **Newcastle coal prices** edged up in May 2024 to USD 143.7 per tonne. The increase in coal prices was mainly due to the growing demand from China and India.

Metal and industrial goods prices

- **COMEX gold futures** continued to rise to USD 2,323/oz (+1.4% MoM). We believe that gold prices in May 2024 continued to come from the accumulation demand from central banks

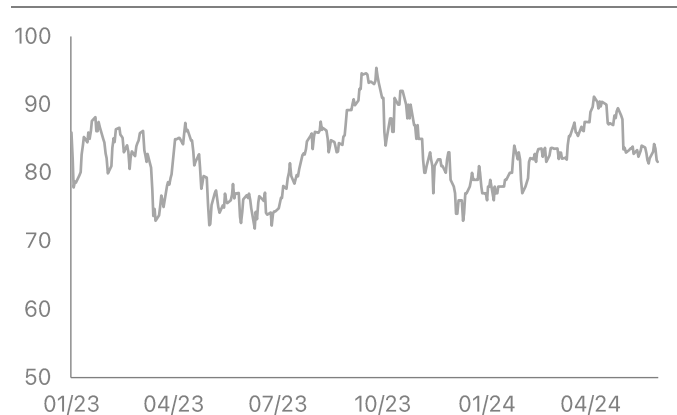
- **Iron ore prices** on the Singapore Exchange edged down to USD 115.5/tonne as demand from China faltered

Agricultural product prices

- **Wheat futures prices** surged to USD 678/bushel as supplies from Brazil and Russia dwindled due to unfavorable weather conditions

Figure 2: Oil price decreased in May

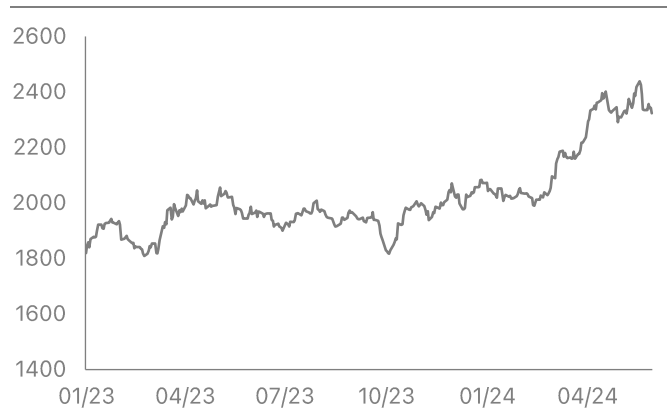
Brent oil price [USD/barrel]



Source: Bloomberg, TVS Research

Figure 23: Gold price continued to increase in May

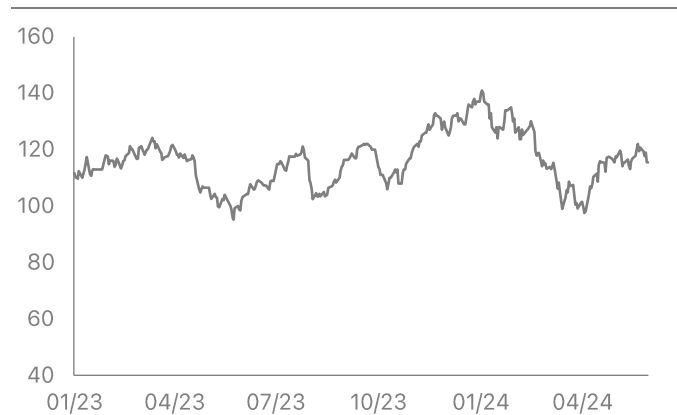
Gold price FT [USD/ounce]



Source: Bloomberg, TVS Research

Figure 24: Iron ore price slightly decreased in May

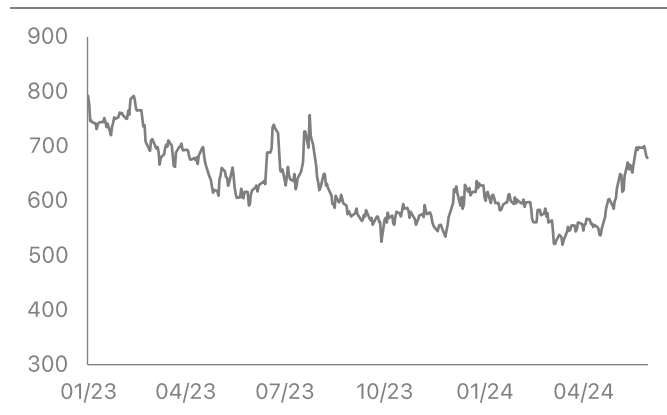
Iron ore price [USD/tonne]



Source: Bloomberg, TVS Research

Figure 25: Wheat price significantly increased in May

Wheat price [USD/bushel]



Source: Bloomberg, TVS Research

Notable economic events in June

Date	Event	Impact
02/6/2024	China manufacturing PMI data	Moderate
	Vietnam manufacturing PMI data	Moderate
06/6/2024	US unemployment data for May 2024	Moderate
	ECB's monetary policy meeting	High
12/6/2024	US CPI data for May 2024	Moderate
	FED's monetary policy meeting	High
16/6/2024	China's unemployment data for May 2024	Moderate
20/6/2024	VN30 Index Futures Contract Expiration	High
29/6/2024	Vietnam's economic data for June 2024	High

List of published reports

Categories	Title	Company/Sector	Date
Company report	2024 annual shareholders meeting	MBB	19/4/2024
Company report	2024 annual shareholders meeting	MWG	16/4/2024
Company report	2024 annual shareholders meeting	FPT	15/4/2024
Company report	2024 annual shareholders meeting	HPG	12/4/2024
Market update	Equity market report March 2024	Market	08/4/2024
Macroeconomic update	Macroeconomics report March 2024	Macroeconomics	08/4/2024
Market update	Equity market report February 2024	Market	07/3/2024
Macroeconomic update	Macroeconomics report February 2024	Macroeconomics	07/3/2024
Market update	Equity market report January 2024	Market	07/2/2024
Macroeconomic update	Macroeconomics report January 2024	Macroeconomics	07/2/2024
Strategy report	Macroeconomic Strategy Report for 2024	Macroeconomics	6/2/2024
Strategy report	Market Strategy Report for 2024	Market	6/2/2024
Strategy report	Investment Strategy Report for 2024	Entire market	6/2/2024

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Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$. Definitions of equity rating key:

Equity rating key	Definition
BUY	If the projected TSR is higher than 20%
HOLD	If the projected TSR is between -10% and 20%
SELL	If the projected TSR is lower than -10%

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