

Macro Report

September 2024 Update: Vietnam Q3 GDP increased strongly at the rate of 7.4% YoY

Global Economy – TVS Research believes that the FED's rate cut decision will initiate a new easing cycle globally

FED cut the rate of 0.5% in September 2024 to support the US labor market. We suggest that such large cut will make room for other CBs to loosen their monetary policy.

In China, PBOC enacted its stimulus package with the aim to heat up the country's real estate and capital market amidst fears over undershooting the 5% GDP growth target in 2024.

Vietnam Economy – Q3 GDP increased by 7.4%

Vietnam's Q3 GDP grew significantly at 7.4% YoY. The cumulative growth stood at 6.8% YoY, considerably higher compared to last year's growth of 4.4% YoY.

Total registered FDI in September 2024 recorded at USD 4.3 billion (+106.4% YoY). Vietnam's FDI inflow is projected to grow further thanks to the socio-economics stability and forming strategic partnerships with major nations globally.

Money Market – FX pressure and interbank rate eased

USD/VND decreased in September 2024 as FED cut rates. We maintain our projection that VND depreciation pressures will ease slightly in Q4 2024.

SBV's liquidity injection helped reduce the ITB lending rate and ease commercial bank's pressure to raise deposit rates. However, we believe that slower growth in deposits than that in credit demand may pressure CBs to raise deposit rates, especially during the year-end peak of credit disbursement.

Commodities Market – Commodities price surged in Sept

Global commodities' price increase was reflected in the BCOM Index's rally in September (+4.4% MoM). In September, crude oil price plummeted (-8.9% MoM) as OPEC announced that oil supply may increase while precious metal prices like gold reached new heights in respond to current geopolitical tension in the Middle East.

Global Indicators	Sep 24	% MoM	%YTD
Inflation:			
USA	2.9%	-0.1%	-0.3%
EU	2.6%	0.1%	-0.3%
China	0.6%	+0.1%	0.6%

PMI:			
USA	47.2	-0.3	2.4
EU	45.4	-0.4	1
China	49.3	-1.1	-0.6

Vietnam Indicators	Sep 24	% MoM	%YoY
CPI	2.6%	+0.3%	+2.6%
PMI	47.3	-5.1	-2.4
IIP	10.8%	-0.2%	+10.8%
Exports (USD bn)	34.1	-9.4%	+10.7%
Imports (USD bn)	31.8	-3.9%	+11.1%
Retail Sale (USD tn)	535.8	+1.2%	+7.6%
PI Disbursement (VND tn)	64.4	+3.5%	+3.7%
Reg. FDI (USD bn)	4.3	+69%	+107%

Money Market	Sep 24	%MoM	%YTD
USD/VND	24,568	-1.2%	1.2%

Commodities Market	Sep 24	%MoM	%YTD
BCOM Index	100.3	4.4%	-4.3%

Notice:

 Weaker than last term

 Better than last term

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Global Macro

Our projection of FED's 2024 accumulated rates cut up to 1.0% in the rest of 2024.

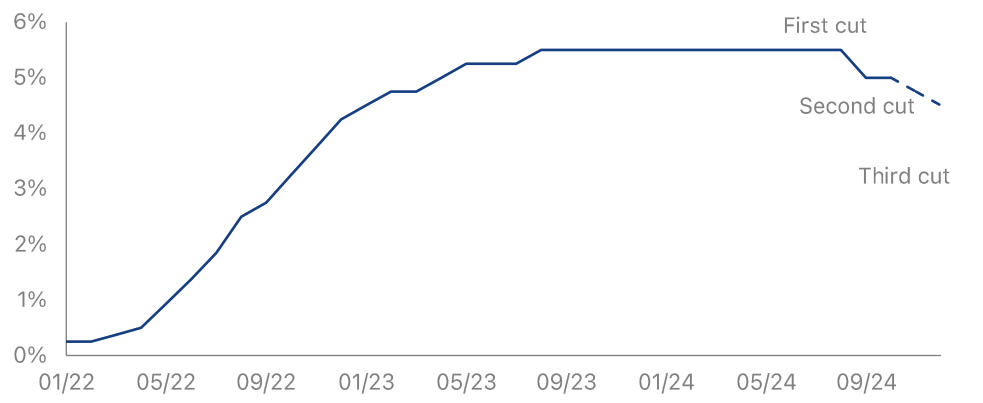
In September 2024, FED's interest cut was more aggressive than our projection in the August Macro Update, with a reduction of 50 bps and signaled fast rate cut sessions in the next months.

TVS Research expects this dovish action indicates that (1) FED is confident in achieving the 2% inflation target, and (2) FED's determination to support the labor market, which is showing signs of weakening. FED Chairman also did not rule out the possibility of further rapid rate cuts in the near future. However, this scenario is unlikely as the labor market rebounded in September, and slight rise in inflation data could make the rate-cutting process more cautious in 2024, with 0.25% reductions expected in November and December.

The effect of upcoming rate cuts may encourage other central banks to continue lowering interest rates or begin monetary easing as the pressure on exchange rates between local currencies and the USD decreases.

Figure 1: FED cut rate by 50bps in September 2024 and may continue its cut of 50bps at the end of 2024

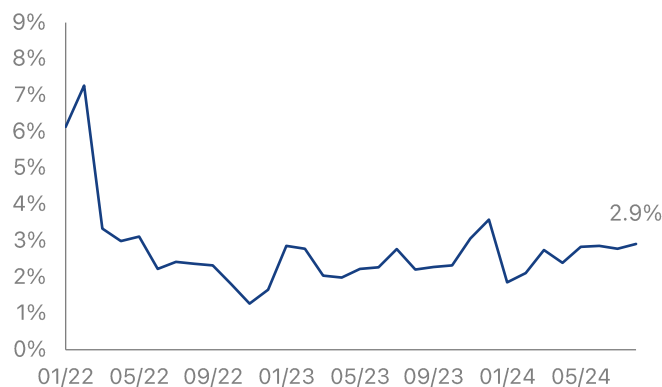
FED funds rate [%]



Source: S&P, TVS Research

Figure 2: US inflation stabilized below 3%

Monthly US's PCE index change [%]



Source: FRED, TVS Research

Figure 3: The U.S. job market begins to recover

Monthly changes in the number of NFP of the US [thousand jobs]



Source: FRED, TVS Research

China implemented more aggressive stimulus packages this September.

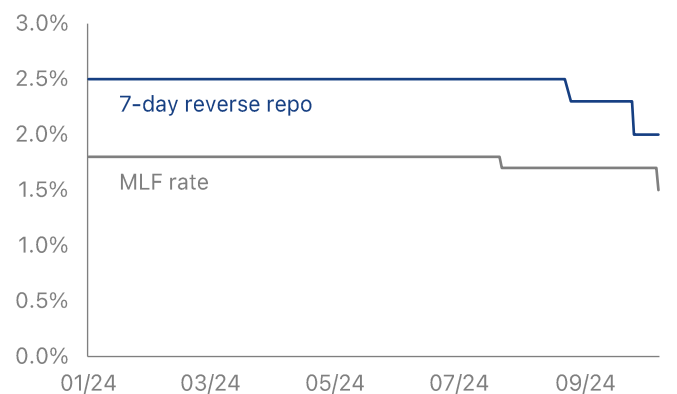
PBOC brought out packages of economic stimulus in September, focusing on supporting the financial and real estate market. This action reflected the Chinese Government's concern on the possibility of not achieving their 5% GDP growth target in 2024.

- Regarding the financial market, PBOC reduces the 1-year lending rate (MLF) to 2% and easing reserve requirements of commercial banks by 50bps to inject more money into the economy
- To support the equity market, PBOC enacted (1) swap instruments that allow funds, brokerages and insurance firms to borrow money from PBOC to buy securities and (2) a refinancing mechanism that allows public companies' stock buy-back and raise capital
- To support the real estate market, PBOC planned to cut 50bps in lending rate for all terms and reduce the down payment requirement for second home from 25% to 15%

TVS Research believes that these policies impacted the Chinese equity market significantly as foreign inflow has returned. More time is needed to see visible impact on the country's real estate market due to the current oversupply and low consumer's housing demand situation remains.

Figure 4: PBOC continues its MLF and reverse-repo rate cut in September

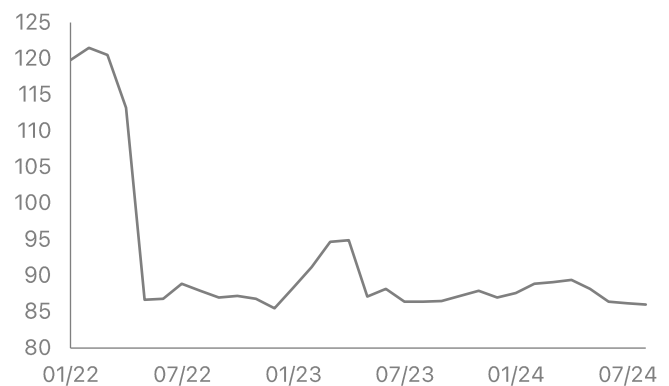
PBOC's MLF interest rate and 7-day reverse repo rate [%]



Source: Bloomberg, TVS Research

Figure 5: Consumer demand in China has shown no signs of improvement

Consumer confidence index in China [points]



Source: Bloomberg, TVS Research

Vietnam Economy

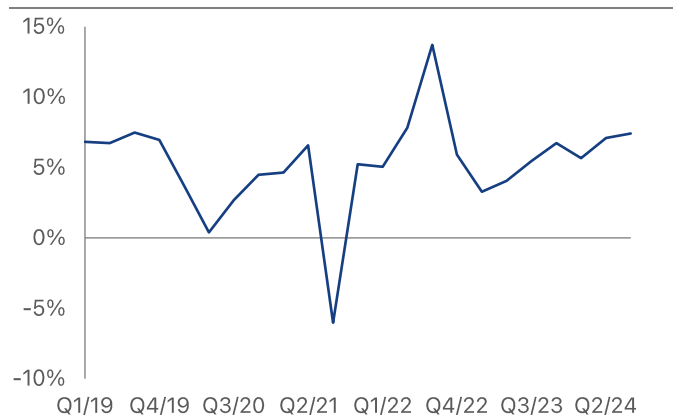
Vietnam economy increased of 7.4% YoY in Q3 2024 despite Yagi Typhoon's impact.

Despite the impacts of Typhoon Yagi on Northern provinces during the first two weeks of September, Q3 GDP still achieved robust growth of 7.4% YoY. Cumulatively, 3Q GDP has grown by 6.8% YoY, a significant increase compared to 4.4% YoY in the same period in 2023.

Services and Industry & Construction sectors continued to drive economic growth in the 9M 2024. The service sector grew by 7.5% YoY, supported by government policies to boost domestic consumption and promote international tourism. Meanwhile, strong export growth also supported industrial production to grow 9.6% YoY. In contrast, the agriculture, forestry, and fisheries sector saw modest growth of 2.6% YoY in Q3 2024, a sharp decline from Q1 and Q2 because of Typhoon Yagi.

Figure 6: GDP growth in Q3 2024 reaches 7.4% YoY

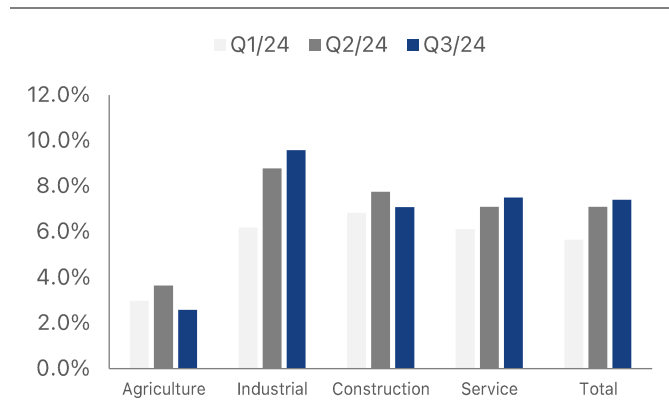
Quarterly GDP growth of Vietnam [% YoY]



Source: Fiinpro-X, TVS Research

Figure 7: The main contributions to overall growth come from the Industry & Construction (IC) and Services sectors

GDP growth by sectors [% YoY]



Source: Fiinpro-X, TVS Research

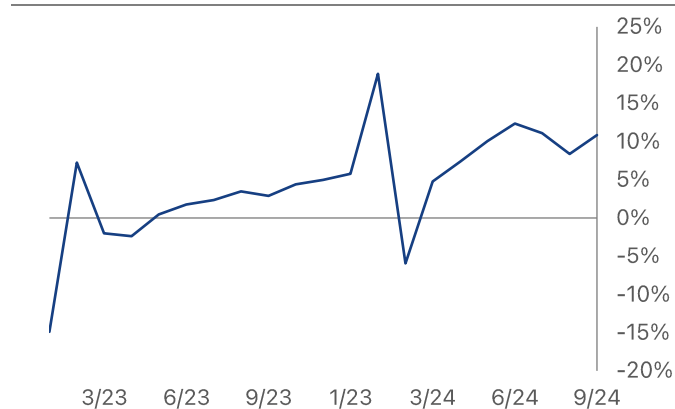
September industrial activities declined compared to previous month.

Although not significantly impacting GDP growth in Q3 2024, Typhoon Yagi disrupted production activities and supply chains during early September in northern provinces, particularly in the Hanoi – Hai Phong – Quang Ninh economic triangle. This disruption caused key production indicators, such as the IIP (Industrial Production Index) and PMI (Purchasing Managers' Index), to decrease by 0.2% MoM and drop by 5.1 points MoM.

However, the impact of Typhoon Yagi was under control by September with many measures and restoration deploying. Therefore, we still expect industrial production to continue increasing in the coming period as domestic manufacturing companies have been steadily ramping up new hiring over the past four months.

Figure 8: The industrial production sector in September increased by 10.8% YoY

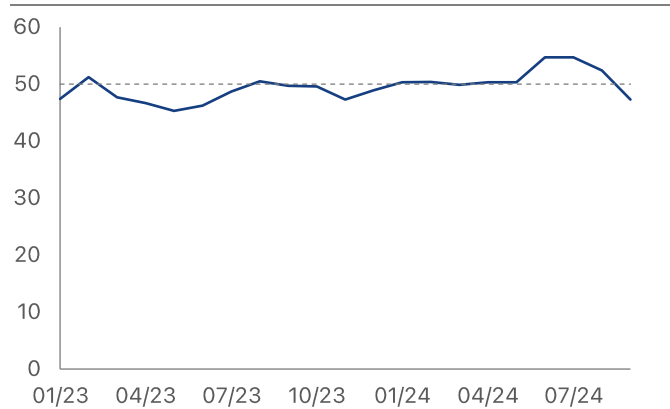
Vietnam's industrial production index from January 2023 to present [% YoY]



Source: Fiinpro-X, TVS Research

Figure 9: PMI decreased in September due to production disruption

PMI index from January 2023 to present [pts]



Source: S&P Global, TVS Research

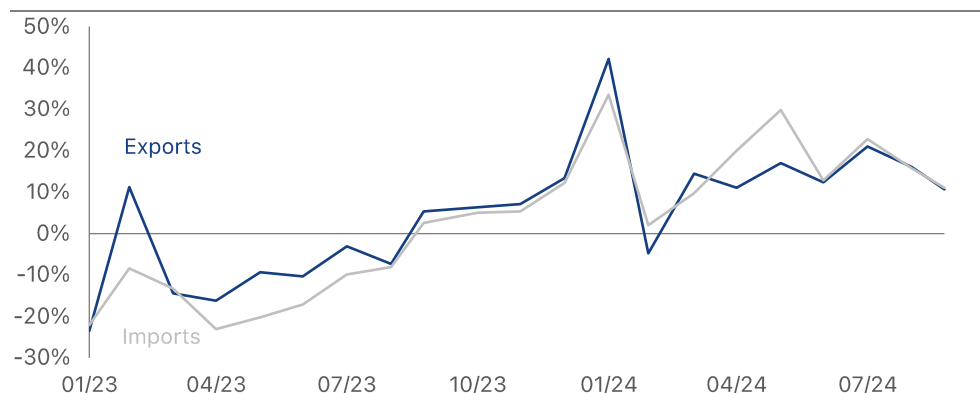
TVS Research believes that export activities will further grow in the remaining months of 2024.

Also affected by Typhoon Yagi, export activity in September saw a slight decline in value compared to the previous month due to disruptions in the supply chain in northern provinces, particularly in Hai Phong and Quang Ninh. However, year-on-year export growth in September still maintained a positive level of 10.7%, which is a good sign for Vietnam's international trade outlook. The main export goods from both the FDI sector and domestic enterprises generally showed positive growth, including computers and components (+18.2% YoY), machinery and equipment (+25.5% YoY), footwear (+18.6% YoY), and wood (+13.1% YoY).

We maintain our expectation that export activity will continue to be a driving force for economic growth in the last months of 2024. The sturdy growth momentum in exports will largely come from FDI products such as phones and computers, ... thanks to the recovering demand in global markets. We believe there will be an increase in consumption demand and inventory stockpiling by large enterprises in markets like the U.S. and Europe to prepare for the year-end holiday season.

Figure 10: Exports and imports maintain double-digit growth in September

Growth in exports and imports from January 2023 to present [% YoY]



Source: GSO, TVS Research

Registered FDI inflow increased significantly in September 2024.

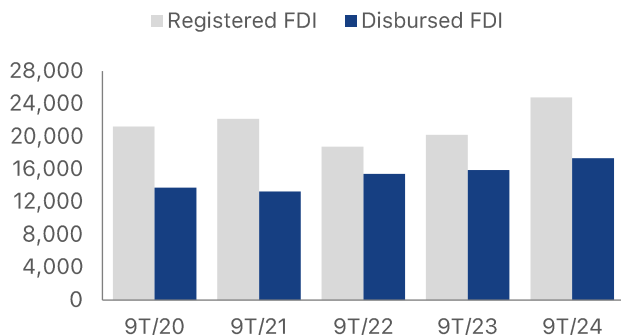
In September 2024, the total registered and implemented FDI (reached 4.3 billion USD (+106.4% YoY) and 3.2 billion USD (+12.0% YoY), respectively. Cumulatively, registered and disbursed FDI stood at 24.8 billion USD (+11.6% YoY) and 17.3 billion USD (+8.9% YoY). The manufacturing sector continued to lead with a total registered value of 15.6 billion USD (+12% YoY), followed by real estate (+126% YoY) and electricity production (7.7x YoY).

We believe that the growth in FDI inflows into Vietnam in 9M 2024 reflects a positive trend in attracting foreign investment into the Vietnamese market, especially in key sectors such as industrial manufacturing and real estate. We maintain our expectation that FDI inflows will grow strongly during the 2024-2025 period due to factors such as:

- Maintaining domestic industrial sectors' competitive advantage, **namely socio-economic stability, strategic geographical position, and abundant workforce.**
- Continue to form strategic partnerships with major nations also contributes to economic stability in face of upcoming geopolitical tensions globally.

Figure 11: Disbursed and registered FDI flows continue to increase compared to previous months

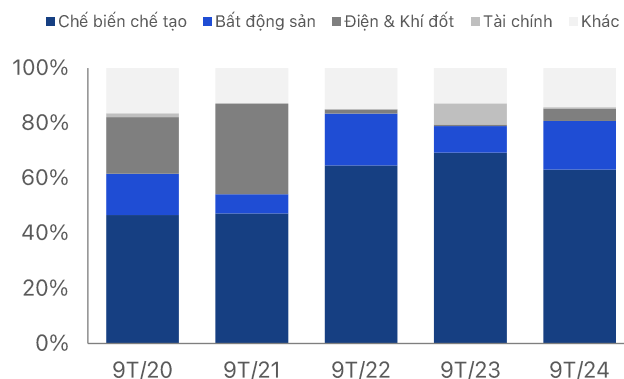
The registered and disbursed FDI capital value in 9M from 2020-2024 [USD bn]



Source: Fiinpro-X, TVS Research

Figure 12: Industrial production & Real estate are the main driver of FDI inflows in the first nine months of 2024

Registered FDI by sectors in 9M from 2020-2024 [%]



Source: Fiinpro-X, TVS Research

September retail sales slightly rose compared to previous month.

The growth rate of total retail sales of goods and services in September 2024 **reached +7.6% YoY and +1.2% MoM**. Cumulatively, total retail sales increased by 8.8% YoY and by 5.8% when excluding the price factor. Retail growth in September remained level in comparison to past months. As mentioned in [our previous report](#), consumer income has not improved significantly in the early part of the year, affecting purchasing power.

However, we observe positive signs at the end of Q3 that could boost retail sales soon. As noted earlier, manufacturing companies have continuously hired additional workers over the past four months. This has also helped increase the average monthly income of workers in Q3 compared to the first two quarters of the year. Additionally, another positive factor for the retail sector in the coming period is the peak tourist season for international visitors to Vietnam (from October to April each year).

Figure 13: Retail growth reached 7.6% YoY in September 2024

Monthly retail growth [% YoY]



Source: Fiinpro-X, TVS Research

Inflation increased by 0.3% MoM mainly due to essential food price in September.

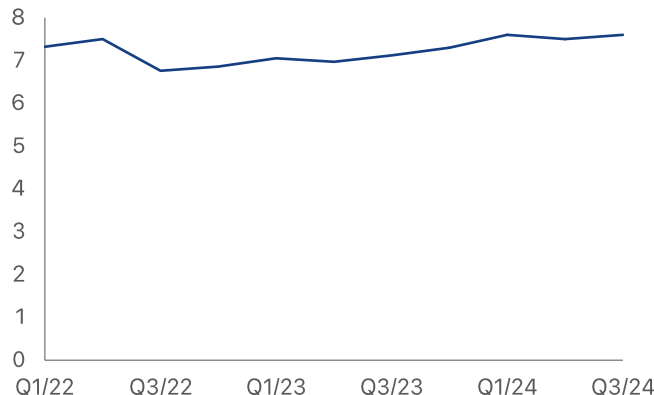
The impact of Typhoon Yagi led to a sudden spike in food prices due to supply chain disruptions, particularly in essential items such as rice prices (+3-4% MoM) and pork prices in the North (+5% MoM). This resulted in the Food and Beverage group increasing by 0.9% MoM, contributing 0.31 percentage points to the overall increase. Additionally, the new school year 2024-2025 began in September, which raised demand for housing in major cities, causing the Housing, electricity, water, and construction materials group to rise by 0.5% MoM, contributing 10 bps to the CPI in September. Furthermore, the Education group increased by 2.1% MoM, contributing 13 bps to the CPI in September due to rising tuition fees in some localities.

Conversely, gasoline prices in September decreased by 6-7% compared to August due to the low global oil price trend. As a result, the Transportation group fell by 2.8% MoM, reducing the CPI in September by 27 bps.

In the coming months, we expect the CPI to increase slightly compared to the previous month; however, it will remain under the government's control, staying below 4.0%. Geopolitical tensions in the Middle East could lead to unfavorable developments that may increase oil prices, causing domestic gasoline prices to rise again. On the other hand, we believe that prices for food items in the North will cool down after the reconstruction activities post Typhoon Yagi are completed.

Figure 14: Workforce's income has improved in Q3 compared to the previous quarters

Average monthly income of workers by quarter [VND million]

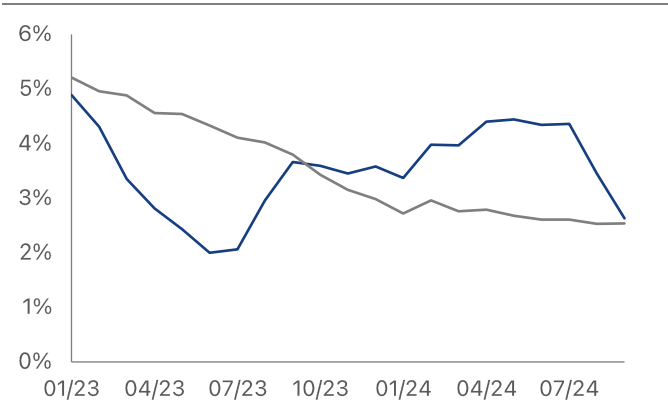


Source: GSO, TVS Research



Figure 15: CPI in September went up by 2.6% YoY

Overall CPI and core CPI from January 2023 to present [% YoY]



Source: Fiinpro-X, TVS Research

Figure 16: F&B and Services industries are the main contributors to September CPI

CPI growth in September by sectors [pts]



Source: S&P Global, TVS Research

Money Market

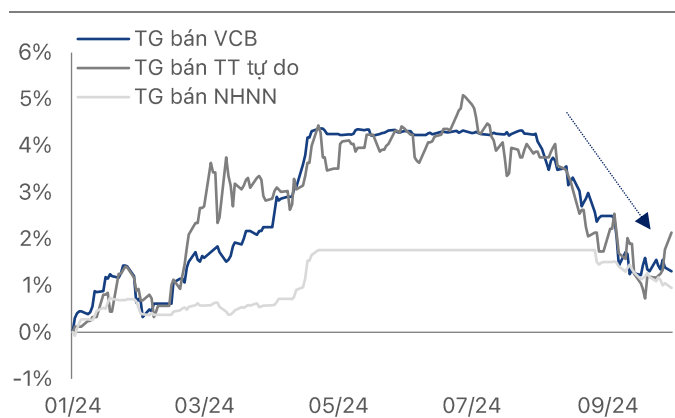
TVS Research maintains that depreciation pressure of VND will ease slightly as the year coming to its end.

In line with our previous projections, the USD/VND exchange rate decreased in September 2024: VCB and free market rates fell by 1.5% MoM and 1.3% MoM, respectively, while the central rate declined by 0.3% MoM. The main reason was due to FED's initiation of the rate-cutting cycle with the first reduction of 50 bps, which weakened the USD (the DXY index fell) and narrowed the interest rate gap between the USD and VND. Additionally, the supply and demand situation of foreign currency eased after the profit repatriation period of FDI enterprises, along with recent growth in trade surplus and FDI disbursement, also contributed to "cooling down" the exchange rate.

For the end of 2024, TVS Research forecasts low depreciation pressure on the VND, with the USD/VND exchange rate expected to increase by about 2% for the entire year of 2024 (equivalent to September 2024), thanks to (1) the narrowing interest rate differential between the USD and VND as the Fed continues to cut rates in the remaining meetings of 2024 and (2) an increase in USD supply typically seen in the last months of the year due to trade surplus, FDI disbursement, and remittances. However, we should also note some risks that could cause the USD to strengthen relatively and put pressure on the exchange rate, including: geopolitical tensions in the Middle East, which could increase demand for the USD as a safe-haven asset, the outcome of the U.S. presidential election in November 2024, and aggressive rate cuts by major central banks around the world, such as the ECB, which could lead to a relative strengthening of the USD (DXY index rising).

Figure 17: USDVND exchange rate continued to decrease...

USD/VND Exchange rate since the beginning 2024 [% YTD]



Source: FiinPro-X, TVS Research

Figure 18: ... due to the weakening of USD after Fed's 50bps rate cut in September 2024

DXY index [points]



Source: Bloomberg, TVS Research

We believe that commercial banks will be more pressured to increase deposit rates at the end of the year to accommodate credit disbursement demand.

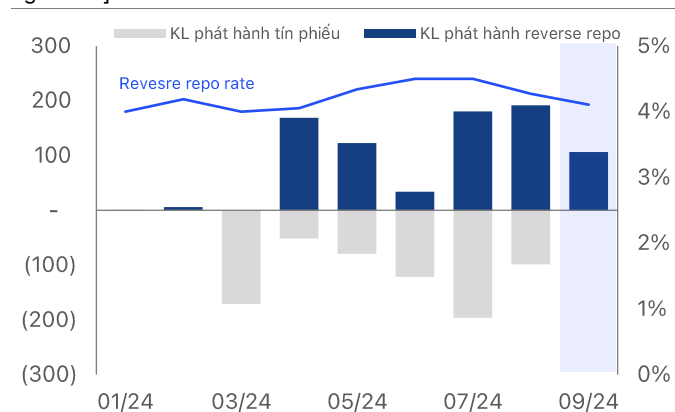
In September 2024, the State Bank of Vietnam (SBV) injected money into the system through lending operations to banks (reverse repo channel) while not conducting any transactions via the treasury bill sales channel. The interest rate in the reverse repo transactions decreased by an additional 25 bps in mid-September 2024 after already having dropped by 25 bps the previous month.

Similarly, interbank interest rates continued to decline. The average overnight and one-week interest rates in September 2024 decreased by about 50 bps compared to the previous month.

With the improved liquidity situation and interbank rates falling, TVS Research believes that the pressure to increase deposit interest rates for commercial banks has significantly reduced compared to the period from May to August 2024. However, the slower growth in deposit raising compared to credit disbursement (as of September 27, credit increased by 8.5% YTD while deposits rose by 4.8% YTD) could exert upward pressure on deposit interest rates at banks soon, especially towards the end of the year to meet credit disbursement needs. In September 2024, we observed that some smaller banks still slightly raised deposit interest rates by 10-20 bps, while larger and medium-sized banks, which can attract deposits well and diversify their funding sources (e.g., through issuing bonds), maintained their interest rates compared to the previous month.

Figure 19: SBV's net money injection in September 2024...

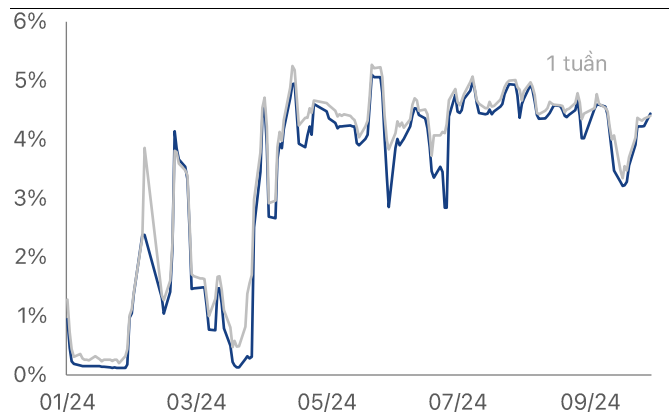
The volume of reverse repo and treasury bills issuance by the SBV [VND trillion - left axis] and the average winning interest rate [% - right axis]



Source: FiinPro-X, TVS Research

Figure 20: ...contributing to a decrease in interest rates in the interbank market

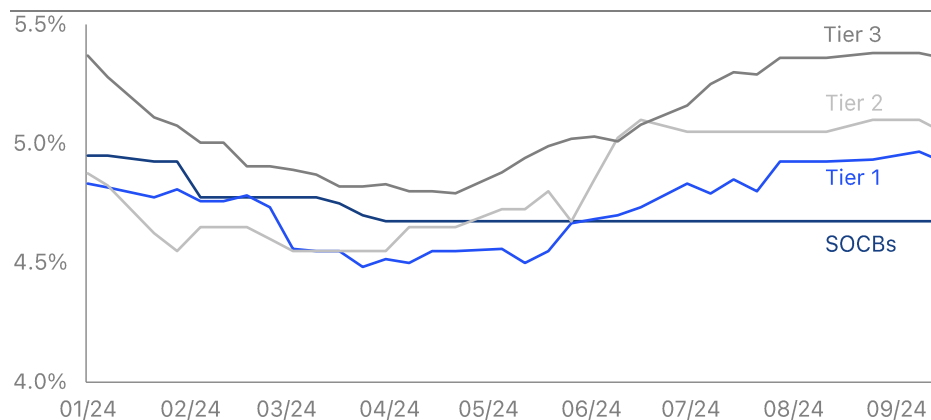
Interbank interest rate for several key tenors [%]



Source: FiinPro-X, TVS Research

Figure 21: Deposit rates increased slightly in some small-sized banks while go sideways in medium and large-sized banks

12M Deposit rates for individual accounts in some commercial banks [%]



Note: SOCBs – Agribank, BID, CTG, VCB; Tier 1 – ACB, MBB, SHB, STB, TCB, VPB; Tier 2 – HDB, LPB, MSB, VIB; Tier 3 – BAB, EIB, KLB, NAB, NVB, OCB, PGB, SGB, VAB & VBB.

Source: Banks' website, TVS Research compiled

Commodity market

Commodity prices rallied in September as market priced in China's increasing demand expectation and Middle East tensions.

Global commodity prices rose, as reflected by a strong increase in the BCOM index in September (+4.4% MoM). In September, crude oil prices fell sharply (-8.9% MoM) after OPEC announced the possibility of increasing production again, while precious metals like gold continued to rise significantly amid escalating geopolitical tensions in the Middle East. Iron ore prices in the Singapore market rebounded (+8.7% MoM) due to expectations of a recovery in China's real estate market following the introduction of a growth stimulus package.

Figure 22: The BCOM index rose sharply in September due to expectations of increased demand for commodities in China

BCOM index [points]



Source: Bloomberg, TVS Research

Energy Price:

- **The price of Brent crude oil** in September 2024 was at 71.7 USD/barrel, -8.9% MoM.
- **The price of natural gas** in September 2024 remained steady at 2.58 USD/mmBTU, +17% MoM.
- **The price of Newcastle coal** remained unchanged in September 2024 at 145.1 USD/ton, unchanged from the previous month.

Metal and industrial goods prices

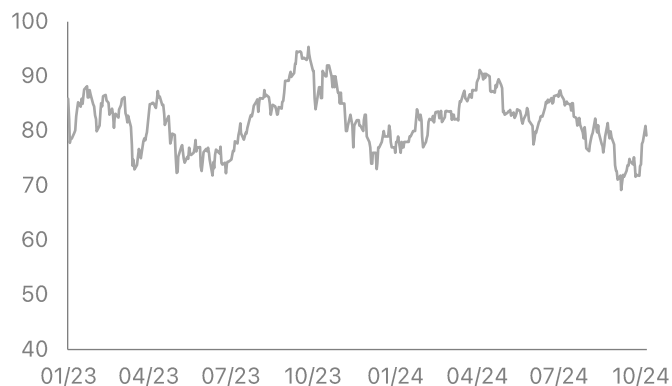
- **Gold futures on the COMEX** rose to 2,636 USD/oz (+5.3% MoM). We believe that the increase in gold prices in September 2024 is due to escalating geopolitical conflicts in the Middle East.
- **The price of iron ore** on the Singapore commodities exchange was at 109.8 USD/ton, up 87% MoM.

Agricultural product prices

- **The price of wheat futures** rose to 584 USD/bushel in September.

Figure 23: Oil price declined significantly in September

Brent oil price [USD/BBL]



Source: Bloomberg, TVS Research

Figure 24: Gold price continued to increase in September

FT gold price [USD/ounce]



Source: Bloomberg, TVS Research

Figure 25: Iron ore price recovered in September

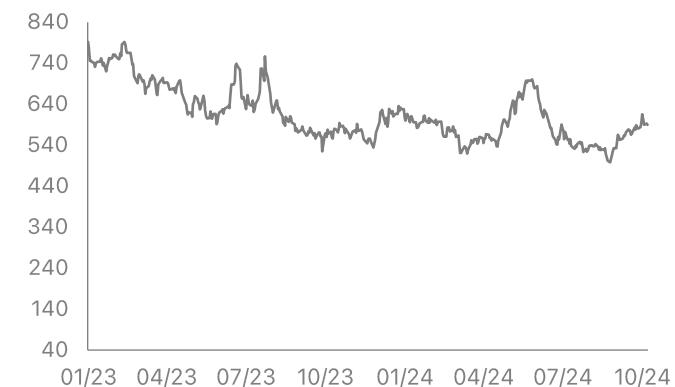
Iron ore price [USD/ton]



Source: Bloomberg, TVS Research

Figure 26: Wheat prices continued to rise in September

Wheat price [USD/bushel]



Source: Bloomberg, TVS Research

Notable economic events in October

Date	Event	Level of Impact
02/10/2024	Vietnam PMI report announcement	Moderate
6/10/2024	US August jobs report	High
	Vietnam August macro report	High
11/10/2024	US September CPI report	Moderate
12/10/2024	ECB's October policy meeting	Moderate
17/10/2024	Maturity date of VN30 Index future contract	High
18/10/2024	EU's September CPI report	Moderate

List of issued reports

Categories	Titles	Company/Industry	Release Date
Company report	Initiation Report	DGC	10/9/2024
Company report	Update Report H1 2024	VIB	07/8/2024
Macro update	Macro report in July 2024	Macro	06/8/2024
Market update	Market report in July 2024	Market	06/8/2024
Macro update	Macro report in June 2024	Macro	08/7/2024
Market update	Market report in June 2024	Market	08/7/2024
Company report	Update report	KBC	19/6/2024
Company report	Market report in May 2024	Market	07/6/2024
Company report	Macro report in May 2024	Macro	07/6/2024
Company report	Market report in April 2024	Market	08/5/2024
Company report	Macro report in April 2024	Macro	08/5/2024
Company report	AGM update 2024	NLG	08/5/2024
Company report	AGM update 2024	DXG	08/5/2024
Company report	AGM update 2024	VHM	08/5/2024

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The recommendations of Buy, Sell, or Hold for stocks are determined based on the expected total return, which is the sum of the difference between the target price and the current market price of the stock, plus the expected dividend yield. Specific definitions for each recommendation level are as follows:

Recommendation ratings	Definition
BUY	Expected stock total return over 1 year > 20%
HOLD	Expected stock total return over 1 year is between -10% to 20%
SELL	Expected stock total return over 1 year < -10%

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