

VIETNAM MACROECONOMIC IN 1M2021

The optimistic outlook of the macroeconomic despite the pandemic situation

- *Industrial Production leveled off*
- *PMI fell slightly with pressure from supply disruption*
- *Consumption flourished approaching the Tet holiday*
- *Inflation in January dropped for the first time in many years*
- *Trade balance returned to trade surplus*
- *Expecting a strong recovery in FDI*
- *Public investment refers to disburse efficiently*

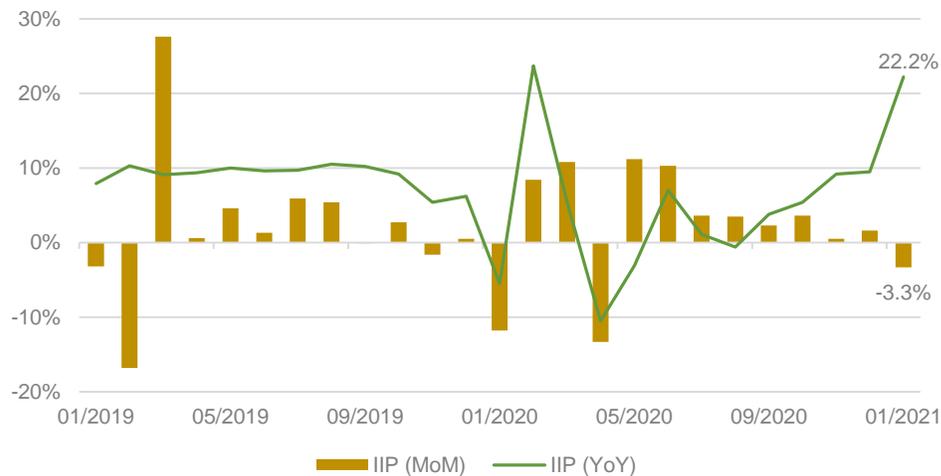
Industrial Production leveled off

- ✓ Compared to the previous month, IIP in January had the first negative growth (-3.3%) since the Covid-19 pandemic broke out for the first time in Vietnam in April 2020. However, over the same period, IIP increased by 22.2% because last year's Tet holiday fell in January, resulting in fewer working days compared to January this year.
- ✓ Over the same period, almost all sectors recorded positive growth. In which, Manufacturing industry increased the most with 27.2%YoY, contributing 21.6 percentage points to the overall growth. Particularly, Mining and quarrying industry had not been able to recover when it still decreased by 6.2%YoY, reducing 1 percentage point in the general growth rate.
- ✓ Industrial production is expected to slow down this February due to this year's Tet holiday. Besides, the resurgence of the Covid-19 pandemic will also partly affect the recovery of industrial production in the following months.

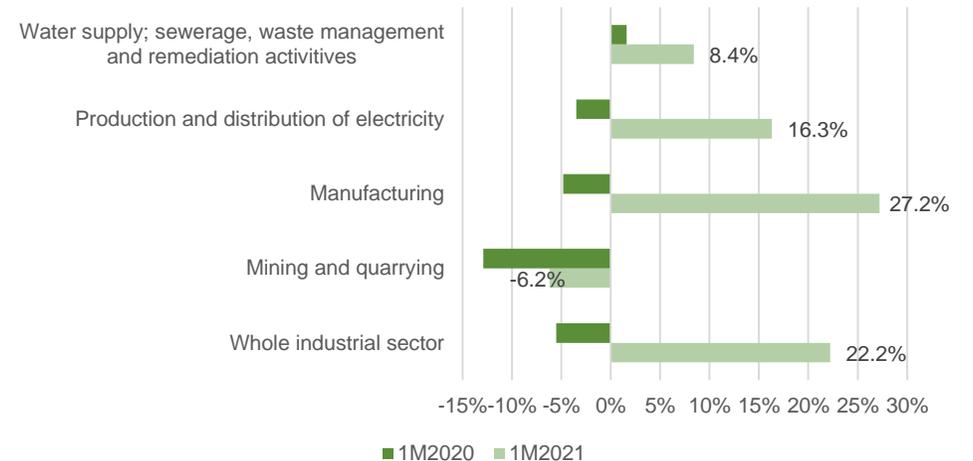
IIP in January (%YoY)



The Index of Industrial Production (IIP)

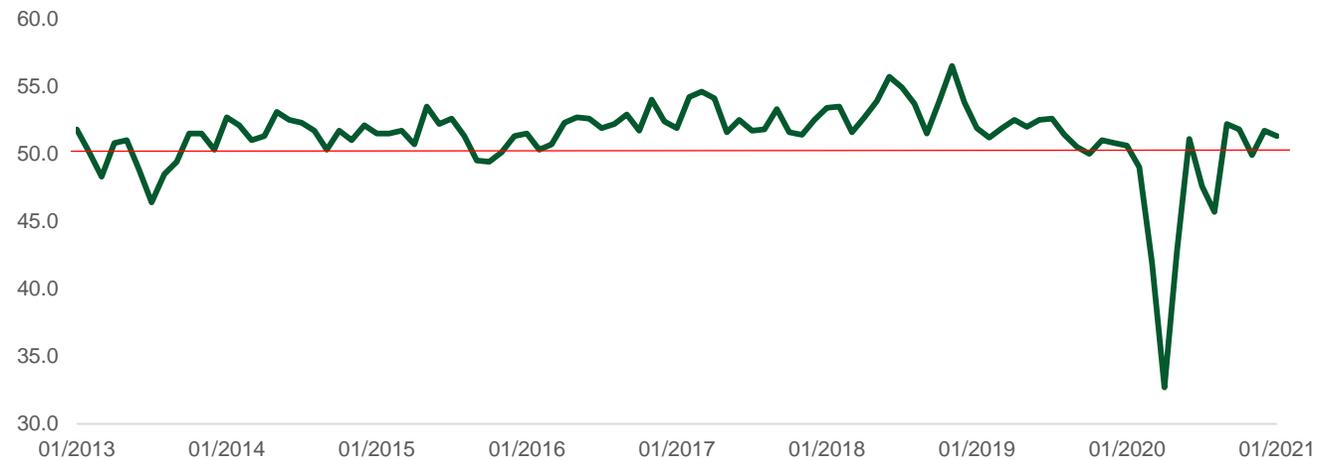


IIP by sector (%YoY)



- ✓ PMI dropped to 51.3 in January 2021 from 51.7 points in December as manufacturing activities slowed down. The number of new orders increased but weakened compared to the previous month. Meanwhile, output seemed to have not changed.
- ✓ Both shortages of cargo containers and supply chain disruptions pushed input costs to increase for the 5th consecutive month at the fastest rate since June 2018. To deal with these difficulties, producers had stocked up more inventory of raw materials for the second month in a row. While the inventory of output products dropped the most in the past 5 months.
- ✓ Although the prospect for this year is still bright, the effects from the Covid-19 pandemic can cause slowly in manufacturing recovery. It has even deteriorated if the 3rd Covid-19 wave is not well-controlled.

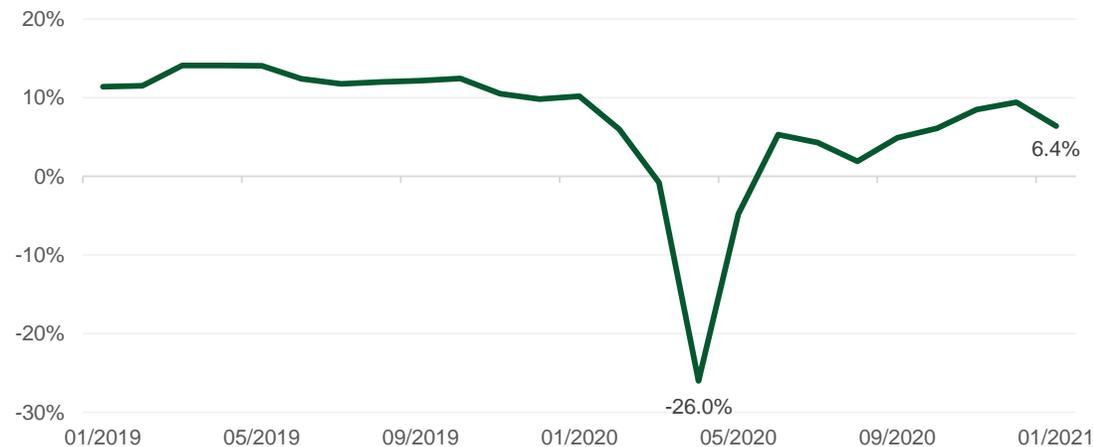
Manufacturing Purchasing Managers' Index (PMI)



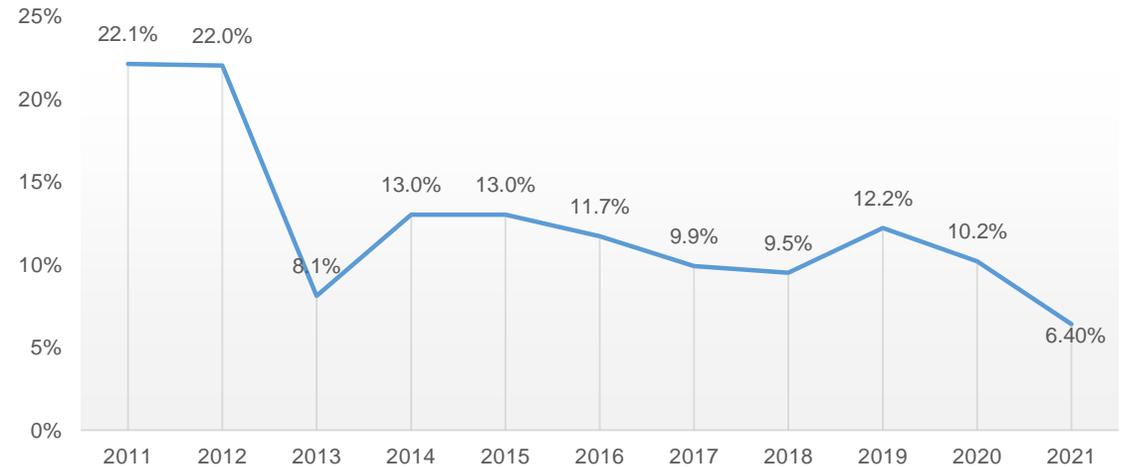
Source: IHS Markit

- ✓ Retail and services activities were vibrant in the first days of the new year in preparation for the Tet holiday. Retail sales and good services in January were estimated at VND 479.9 trillion, up 3.7%MoM. Over the same period, retail sales and good services in January increased by 6.4%YoY. If excluding the price factor, it increased by 6.7%YoY.
- ✓ In which, retail sale of goods reached VND 378.9 trillion, accounting for 79% of the total. This was also the main contributor to the overall growth with a growth rate of 8.7%YoY. Revenue from Accommodation and catering service reached VND 48.7 trillion, down 4.1%YoY; Traveling service revenue plummeted 62.2%YoY, reaching VND 1.6 trillion; Other services revenue reached VND 50.7 trillion, up 7.3%YoY.

Monthly retail sales growth (%YoY)



Accumulated retail sales growth (%YoY)

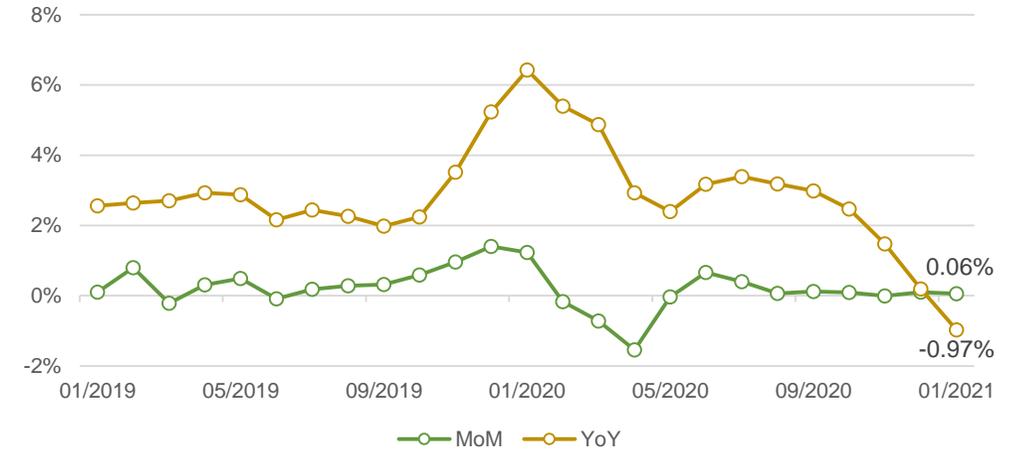


Source: GSO

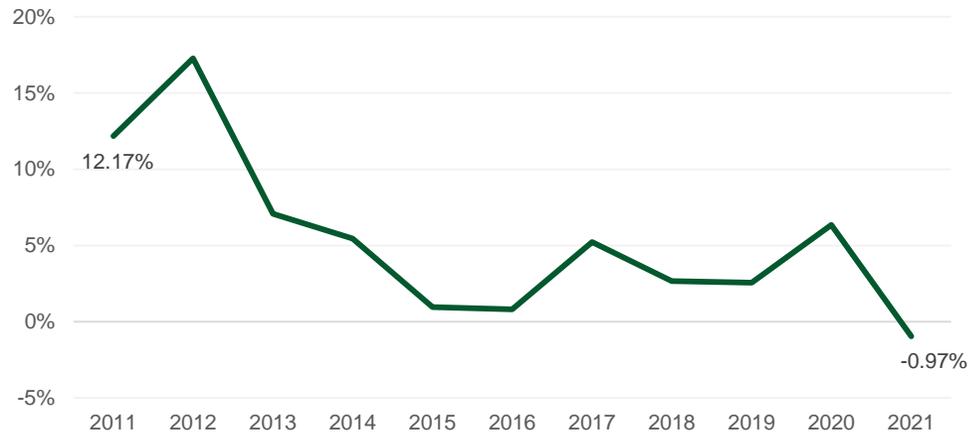
Inflation in January dropped for the first time in many years

- ✓ Despite the Tet holiday is coming, the supply and demand were still kept in balance. The CPI in January increased slightly by 0.06%MoM and decreased by 0.97%YoY. Among 9 groups having increased price indexes, Transport group had the highest increase of 2.29%MoM because the domestic petrol and oil price had 2 upward adjustments following by increase of global fuel prices. Following by Food and catering services (+0.64%MoM) and Garments, hats and shoes (+0.44%MoM) due to higher demand for preparing for the Tet holiday. In the group of decreased price indexes, Housing and construction materials decreased by 2.31%MoM because EVN reduced electricity prices in phase 2 for supporting customers affected by the Covid-19.
- ✓ In 2021, expected recovery of the global production thanks to controlled Covid-19 pandemic, the price of raw materials may increase and put pressure on inflation in the second half of 2021. Thus, flexible monetary policies will need to be maintained to control inflation under 4% as set by Government's target.

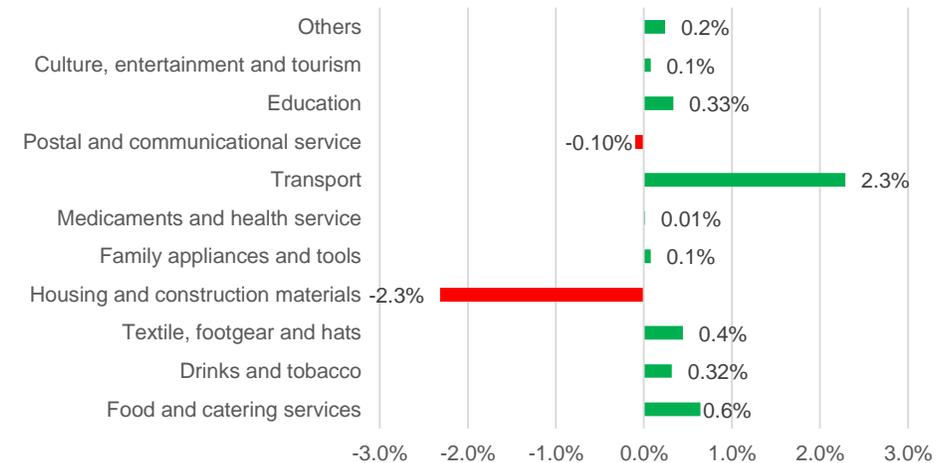
Consumer Price Index (CPI)



Average CPI in January (%YoY)



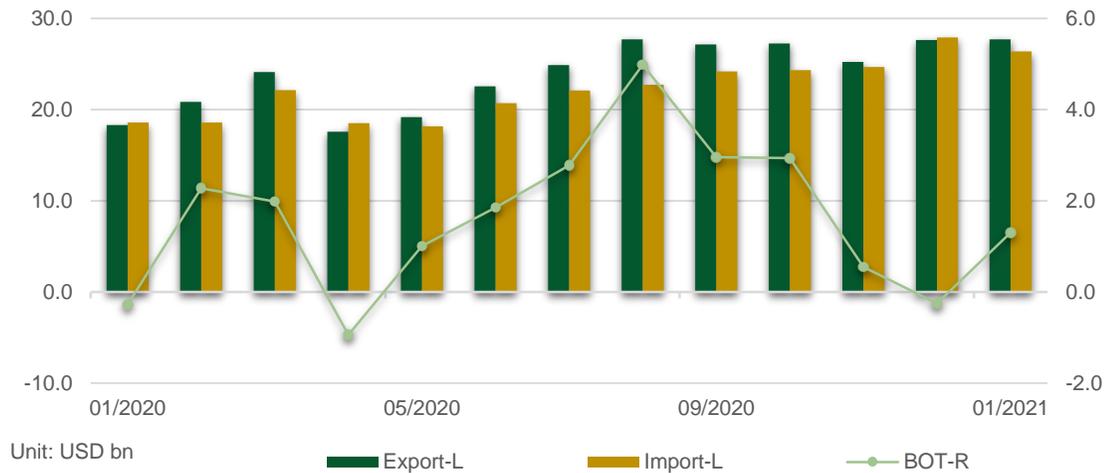
CPI by groups in January 2021 (%MoM)



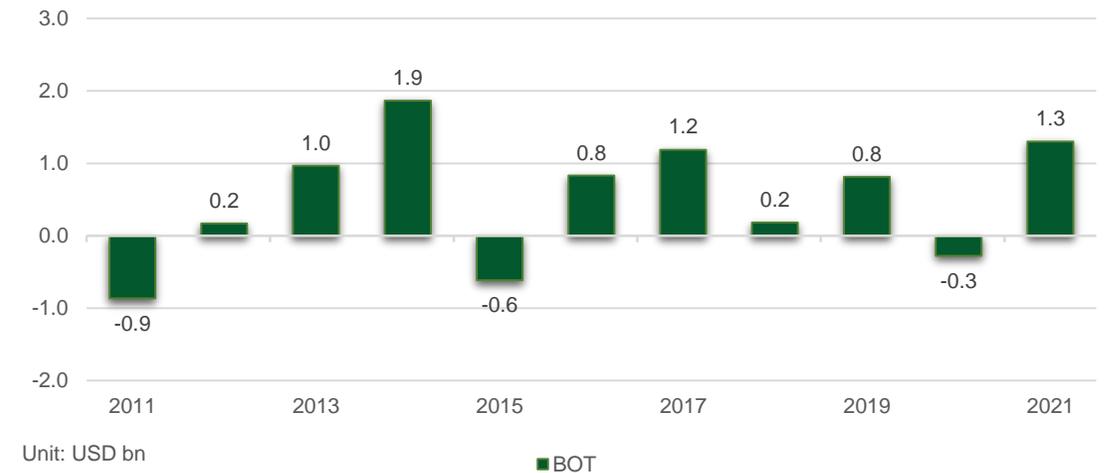
Source: GSO

- ✓ The exports in January 2021 reached USD 27.7 billion, increased by 50.5%YoY. Particularly, the exports of phones all of the kinds and their parts recorded impressive growth (+114.8%YoY) because Samsung boosted exporting the new version of Galaxy S21 products. Meanwhile, rice exports had suddenly fallen to the lowest level since 2019 February (-20.4%YoY and -47.4%MoM) due to scarcity of supply. In term of export market, USA and China still outstripped other markets with a turnover of USD 7.5 billion (+57.4%YoY) and USD 5.8 billion (+111.6%YoY), respectively.
- ✓ The imports in January reached USD 26.4 billion, increased by 41%YoY. Except for dropped by Crude oil and Petroleum, the rest products posted positive growth in turnovers such as Rubber (+204.4%), Phones all of the kinds and their parts (+128.3%) and Cashew nut (+118.6%). In terms of import markets, China ranked first with USD 9.6 billion (+72.7%YoY). Followed by South Korea with USD 5.1 billion (+29.3%YoY) and ASEAN (+63.3%YoY).
- ✓ Thus, the trade balance in January posted a trade surplus of USD 1.3 billion. In which, the domestic sector hit a trade deficit of USD 1.8 billion and the foreign sector hit a trade surplus of USD 3.1 billion.

Monthly Export - Import



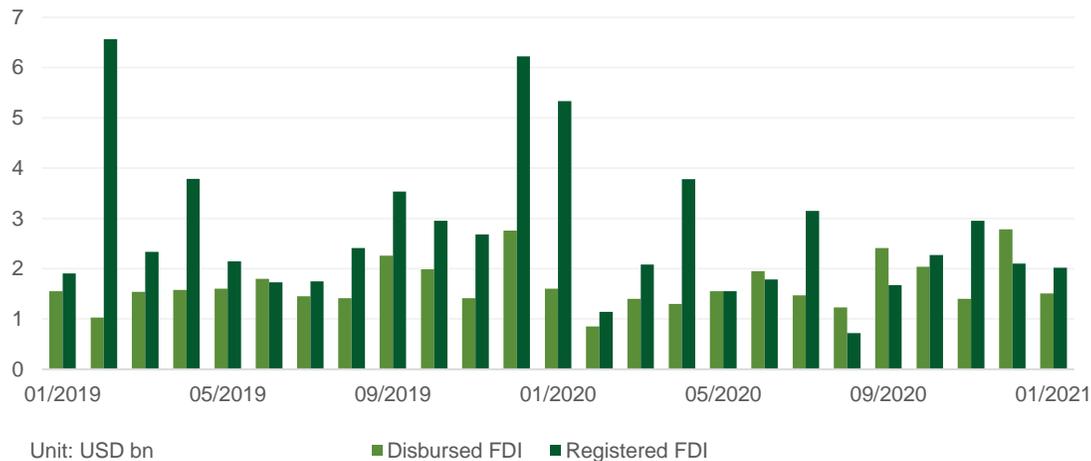
Trade balance of first 1 month



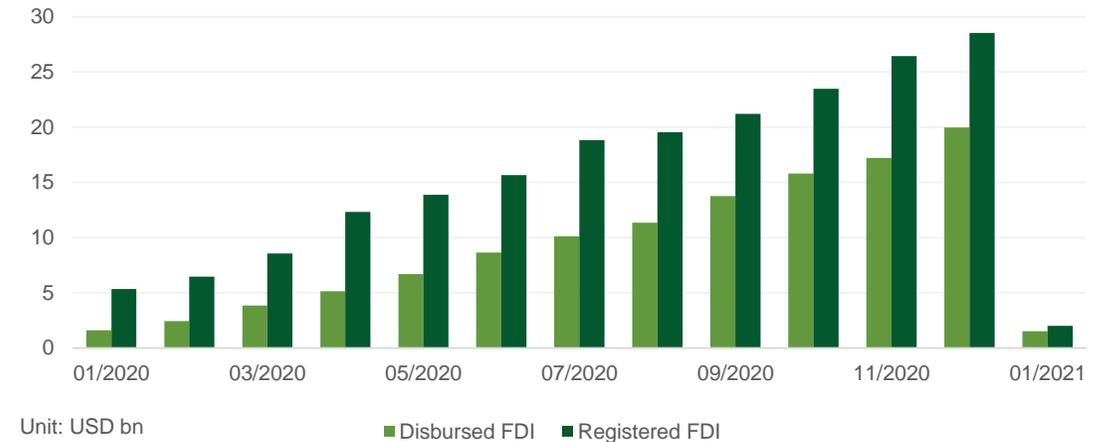
Source: GSO

- ✓ Total FDI into Vietnam as of January 20, 2021 was estimated at USD 2.0 billion, decreased by 62.2%YoY. Of which, the newly registered FDI and capital contribution and share purchase reached USD 1.3 billion (-70.3%YoY) and USD 0.2 billion (-58.7%YoY), respectively. Particularly, the additional FDI continued to increase by 41.4%YoY, equivalent to USD 0.5 billion. By provinces, Bac Giang provinces led with a total FDI of nearly USD 570 million, of which the notable manufacture computer's project of 270 million USD by Foxconn. Following by Tay Ninh with nearly USD 350 million, mainly from additional capital of Radian tire production's project by Chinese investors. Meanwhile, the disbursed FDI in January was estimated at USD 1.5 billion, hit slightly by 4.1%YoY.
- ✓ Despite recording a low level in January, attracting FDI in the whole year is a much brighter prospect. Thanks to its advantage such as a stable economy, well-controlled Covid-19 pandemic and improving infrastructure of the industrial park, Vietnam will be an ideal destination for the wave of FDI shifting in the world. Additionally, the Investment Law of 2020, which officially took effect from the beginning of this year, also helps to solve the legal difficulties. In particular, extending the preferential sectors, including the high-tech sector can welcome more projects from the world's largest technology corporations.

Monthly Foreign Direct Investment (FDI)

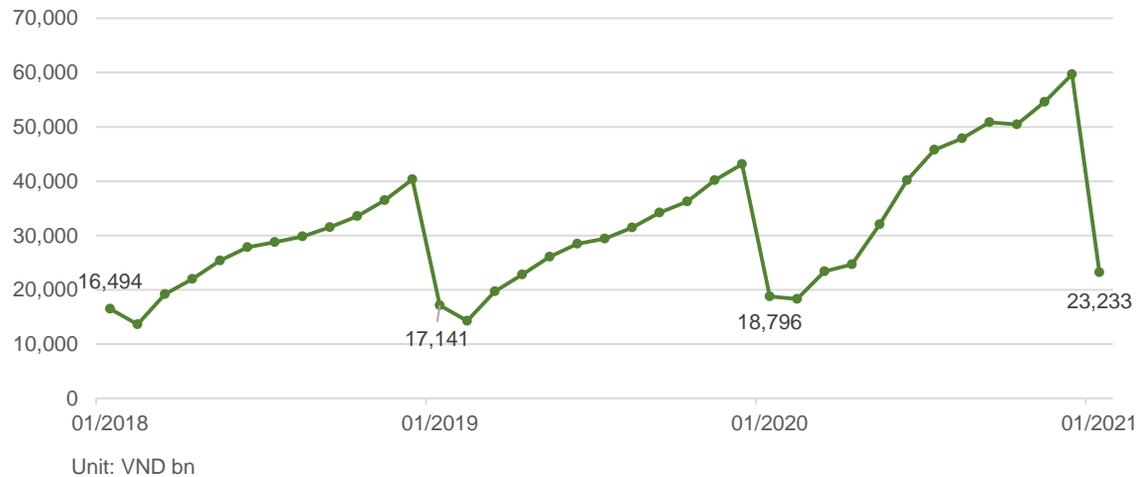


Accumulated FDI

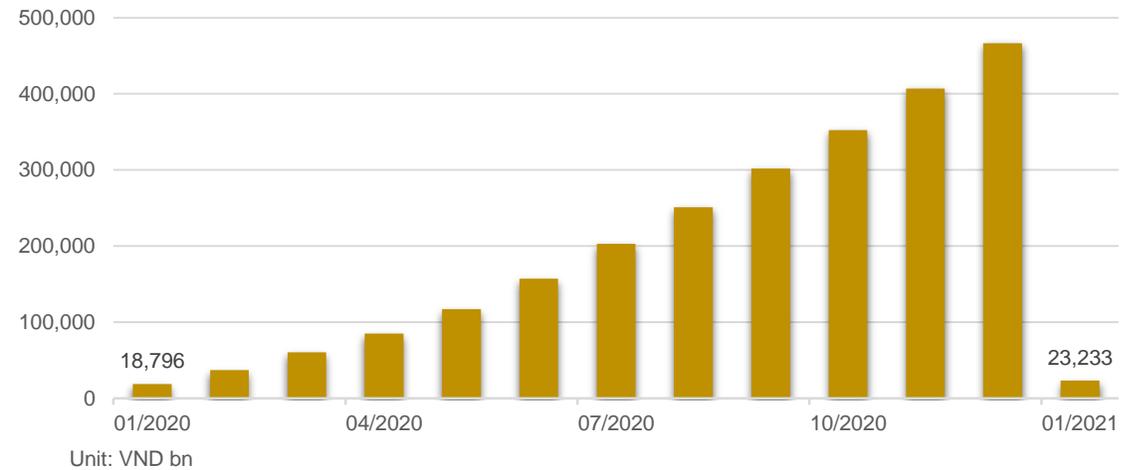


- ✓ Normally, public investment in January hadn't much attention when it was the time for completing unfinished infrastructure projects from last year. Meanwhile, most projects in 2021 are in the processing of legal procedures. However, the investment capital from the State budget in January still surged 24%YoY, equivalent to VND 23,233 billion.
- ✓ Because this is the first year in the 5-year 2021-2025 plan, public investment will have not as sharply growth as last year and FDI will be paid more attention. However, public investment is still an important factor contributing to the GDP growth in 2021. Therefore, the efficiency of disbursed public investment capital will be placed on top.

Monthly Public Investment



Accumulated Public Investment



Source: GSO

- ✓ In general, the economy maintained stable growth since the second Covid-19 wave ended. Production activities were boosted to respond to the needs of shopping and consumption before the Tet holiday and contributed to curbing inflation. Meanwhile, import and export activities had also recorded encouraging results, despite difficulties from supply disruption.
- ✓ However, both the Covid-19 wave had suddenly come back and the fewer working days in February due to the Tet holiday, the Vietnam macroeconomic in February may be slow down. However, it will recover soon thanks to the experience from dealing with the previous Covid-19 waves.

MONTHLY MACROECONOMIC INDICATORS SUMMARY

	01/21	12/20	11/20	10/20	09/20	08/20	07/20	06/20	05/20	04/20	03/20	02/20	01/20
CPI (YoY)	-0.97%	0.19%	1.48%	2.47%	2.98%	3.18%	3.39%	3.17%	2.40%	2.93%	4.87%	5.40%	6.43%
CPI (MoM)	0.06%	0.10%	-0.01%	0.09%	0.12%	0.07%	0.40%	0.66%	-0.03%	-1.54%	-0.72%	-0.17%	1.23%
PMI	51.3	51.7	49.9	51.8	52.2	45.7	47.6	51.1	42.7	32.7	41.9	49.0	50.6
IIP (YoY)	22.2%	9.5%	9.2%	5.4%	3.8%	-0.6%	1.1%	7.0%	-3.1%	-10.5%	5.4%	23.7%	-5.5%
IIP (MoM)	-3.3%	1.6%	0.5%	3.6%	2.3%	3.5%	3.6%	10.3%	11.2%	-13.3%	10.8%	8.4%	-11.8%
Credit growth*					6.08%	4.82%	4.05%	3.65%	2.00%	1.41%	1.31%	0.17%	0.10%
Export (USD billion)	27.7	27.7	25.2	27.3	27.2	27.7	24.9	22.6	19.2	17.6	24.1	20.9	18.3
Import (USD billion)	26.4	27.9	24.7	24.3	24.2	22.7	22.1	20.7	18.2	18.5	22.1	18.6	18.6
Trade balance (USD billion)	1.3	-0.3	0.5	2.9	3.0	5.0	2.8	1.9	1.0	-0.9	2.0	2.3	-0.3
Disbursed FDI* (USD billion)	1.5	20.0	17.2	15.8	13.8	11.4	10.1	8.7	6.7	5.2	3.9	2.5	1.6
Registered FDI* (USD billion)	2.0	28.5	26.4	23.5	21.2	19.5	18.8	15.7	13.9	12.3	8.6	6.5	5.3

Source: GSO, SBV, PHS

* Accumulated data up to report time

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