

# Macro Outlook 4Q24

## Maintaining growth

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KBSV's forecasts for Vietnam economy in 2024 are as follows:

**We raised the forecast for GDP growth in 2024 to 6.8%** from 6.5% in the previous report. Growth drivers in 4Q would be: (i) positive export activities; (ii) stable FDI flows; (iii) recovering domestic consumption on better demand at the end of the year and the stimulus policies' absorption to the market; and (iv) improved real estate market, despite its low speed.

**2024F CPI of Vietnam is kept at 3.8% YoY**, which is below the Government's limit of 4–4.5%. The average CPI is expected to be stable in 4Q thanks to the high base in 4Q23, while the MoM increase should be well controlled.

**Deposit interest rates may continue to be low and slightly gain 10–30bps**, depending on each bank, to meet the high credit demand at the end of the year.

**Exchange rate pressure may return at times in the first half of 4Q but will gradually decrease towards the end of the year.** The USD/VND exchange rate may fall to around VND25,120/USD (+3.5% YTD).

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## I. Executive Summary

The macroeconomic picture in the first nine months of 2024 has many bright colors. GDP growth reached five-year highs, except for 2022 when the economy reopened after the pandemic. The industrial and construction sectors led the growth thanks to the recovery of production and export activities, while the agricultural, forestry, fishery and service sectors maintained stability.

In the fourth quarter of 2024, we believe that the economy will maintain its growth momentum with many supportive factors. In particular, production and business activities maintained their growth thanks to vibrant export activities, positive FDI disbursement and the government's acceleration of public investment disbursement. In addition, the recovery of domestic consumption, especially in the final period of the year, along with a brighter outlook for the real estate market after the Land Law takes effect, is expected to be a new growth driver for the economy.

However, we see that uncertain risks from the international environment will undermine the economic growth in 4Q, including geopolitical tensions and the sagging economies of Vietnam's major trading partners such as China, the US and Europe.

**Table 1. Vietnam – Key macroeconomic indicators**

KBSV forecast					
	Unit	January 2024	April 2024	July 2024	October 2024
GDP growth	% YoY	6	6	6.5	6.8
Average CPI	% YoY	3.5	3.8	3.8	3.8
Credit growth	% YTD	13.5 – 14.5	14 – 15	14 – 15	14–15
Average 12M deposit interest rate	%/year	4.85 – 5.35	4.75 – 5.35	5.0 – 5.5	4.8–5.3
USD/VND exchange rate	VND	24,600	25,000	25,120	25,000

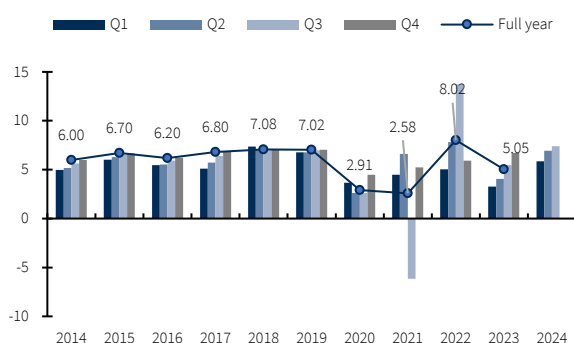
Source: KB Securities Vietnam

## II. GDP growth

### 1. 9M24 GDP growth

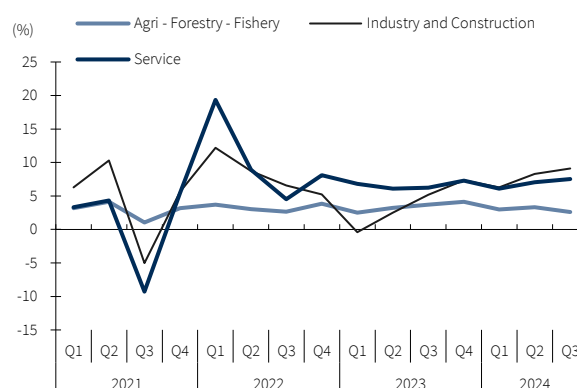
Despite the impacts of typhoon Yagi, Vietnam's economy still showed impressive growth in 3Q. According to data from the General Statistics Office of Vietnam (GSO), 3Q GDP rose 7.4% YoY, mainly supported by the strong recovery of export activities, which has spread to domestic production. This is the highest increase in the past six years, only after the post-Covid reopening in 2022. However, this growth still only shows a modest contribution from domestic factors when domestic consumption demand and the real estate market show signs of slow recovery.

Fig 1. Vietnam – GDP growth by quarter (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 2. Vietnam – GDP growth by sector (%YoY)



Source: General Statistics Office, KB Securities Vietnam

*From the demand side*, consumption and social investment have been rebounding.

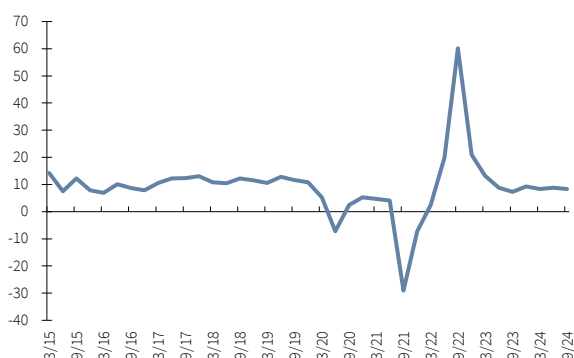
#### Consumption has gradually recovered

Consumption growth gradually improves, but the growth rate is still quite modest. Total retail sales of goods and services in 3Q were valued at VND1,591 trillion, up 8.38% YoY, cumulating VND4,703.4 trillion for 9M24 (+8.8% YoY vs +10.1% in 2023). If excluding the price factor, it gained 5.8% (vs +7.6% in 2023), significantly lower than the pre-Covid increase (12–15%).

#### Increased total social investment created growth momentum for the economy

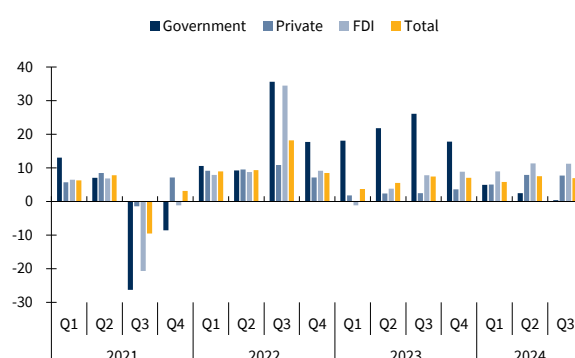
The total social investment capital in 3Q24 was VND966.7 trillion (+7.0% YoY). To be more specific, State sector capital is estimated at VND273.1 trillion (+3.4%); non-State sector reached VND537.7 trillion (+7.7%); and foreign direct investment sector hit VND155.9 trillion (+11.2%). In 9M24, the total social investment capital gained 6.8% YoY to VND2,417.2 trillion.

Fig 3. Vietnam – Retail sales of goods & services growth (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 4. Vietnam – Disbursed social investment capital growth (% YoY)



Source: General Statistics Office, KB Securities Vietnam

*From the supply side*, the industrial and construction sector strongly bounced back, while the service sector and the agriculture, forestry and fishery sector remained stable (Figure 5).

### Industrial and construction sector recovered strongly

The industrial and construction sector in 4Q24 continued to surge and reached 9.11% YoY growth, gaining 8.21% in 9M24. The added value of the entire industry showed an 8.34% YoY increase. Of that, the key industry, processing and manufacturing, grew 9.83% YoY, which was the main driving force to the strong recovery of the entire sector. The construction sector also recorded a positive growth of 7.48% YoY.

9M24 IIP rose 8.60% YoY. There are 60 localities recording an increase in IIP and three localities reporting a decrease.

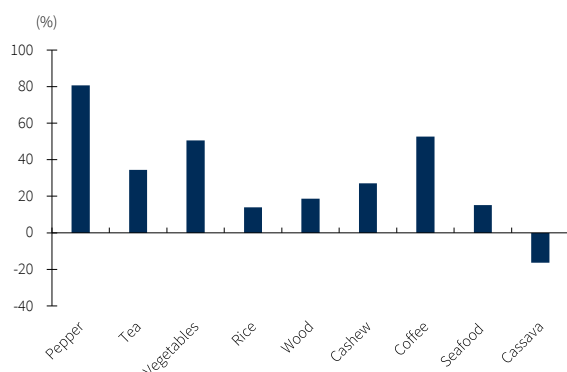
### Service sector remained stable

The service sector increased by 6.95% YoY in 9M24 as the Government promoted policies to stimulate domestic consumption and tourism promotion activities. Accordingly, wholesale and retail gained 7.56%; transportation and warehousing +11.03%; finance, banking and insurance activities +6.47%; and accommodation and catering services +9.48%, benefiting from the increase in international and domestic tourists.

### Agriculture, forestry and fishery sector slows down being hit by typhoon Yagi

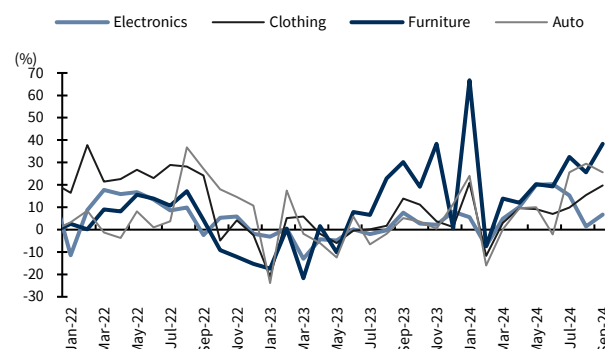
Agricultural, forestry and fishery production in 3Q and 9M24 still maintained growth, reaching 2.61% and 3.21% respectively. However, this increase is only higher than the growth rate of the same period in 2020–2024 due to the severe impacts from typhoon Yagi last month.

Fig 5. Vietnam – Agriculture, forestry, and fishery export growth in 3Q24(%)



Source: General Statistics Office, KB Securities Vietnam

Fig 6. Vietnam – Growth of some key industries (%)



Source: General Statistics Office, KB Securities Vietnam

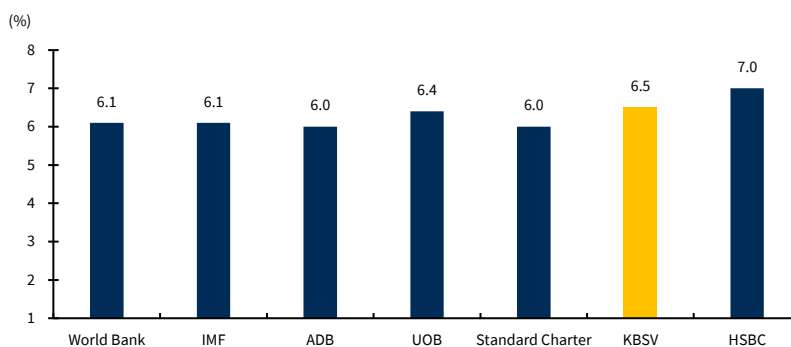
## 2. 2024F GDP growth

**GDP growth forecast for 2024 is upgraded to 6.8%**

Thanks to better-than-expected 3Q earnings season, we have raised our GDP growth forecast for the whole year of 2024 to 6.8% from 6.5% given in our previous report. 4Q growth boosters include: (i) positive export activities; (ii) stable FDI flows; (iii) recovering domestic consumption thanks to increased demand at the end of the year and the stimulus policies' absorption to the market; and (iv) improved real estate market, despite its slow changes.

In addition to positive factors, the Vietnamese economy in the last quarter of 2024 also faces potential risks from international factors. Escalating geopolitical tensions and economic slowdowns in major trading partners such as China, the US and Europe could exert adverse impacts on the export growth and investment, thereby affecting the overall economy.

Fig 7. Vietnam – 2024F GDP growth by international organizations (%)



Source: HSBC, World Bank, ADB, UOB, Standard Chartered, KB Securities Vietnam

## Exports are expected to further grow in 4Q

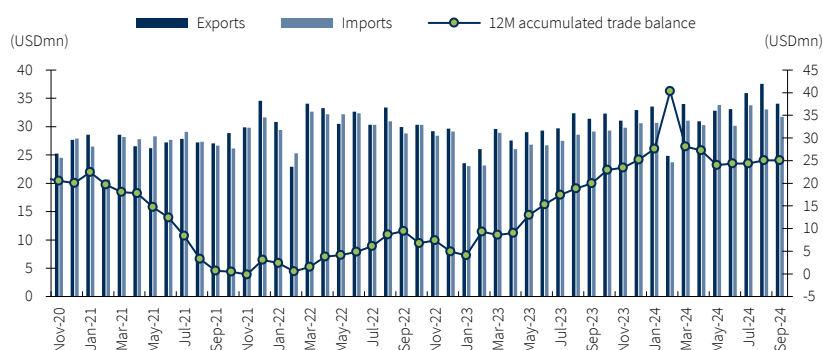
For 4Q, we expect export activities to maintain growth momentum thanks to:

- (i) Exports to the US, despite a mild decrease from the peak in July and August, still maintain positive growth thanks to sustainable consumer demand in this country. US retail sales in August recorded a 0.1% MoM and 2.1% YoY increase, indicating that consumer spending has not shown any signs of decline despite concerns over high consumer debts. In addition, the September unemployment rate continued to decline for the second consecutive month, dropping to 4.1% from 4.3% in July, which helped ease concerns about the risk of an economic recession.
- (ii) Declining inflation has facilitated major central banks cutting interest rates, which will continue in 4Q24. Low CPI will help increase real household income, thereby boosting spending. Furthermore, reduced interest costs will help raise the demand for investment in expanding production of enterprises, while increasing the room for short-term consumer debt and supporting spending.
- (iii) The bright prospects of the global semiconductor industry are giving opportunities to Vietnam's key exports. According to the forecast of WSTS, this figure will reach a record of USD588.36 billion in 2024 (+13% YoY). Vietnam, with the advantages from many large enterprises such as Intel, Samsung Electro-Mechanics, and Technologies AG, is making use of this opportunity to boost the export of electronic products, smartphones, components and machinery, which account for 44% of the country's total export turnover.

On the other hand, we note some risks that may negatively impact export activities: geopolitical tensions leading to higher oil prices, transportation costs, and input costs for production; and central banks lowering interest rates more slowly than expected, affecting consumer demand in major countries.

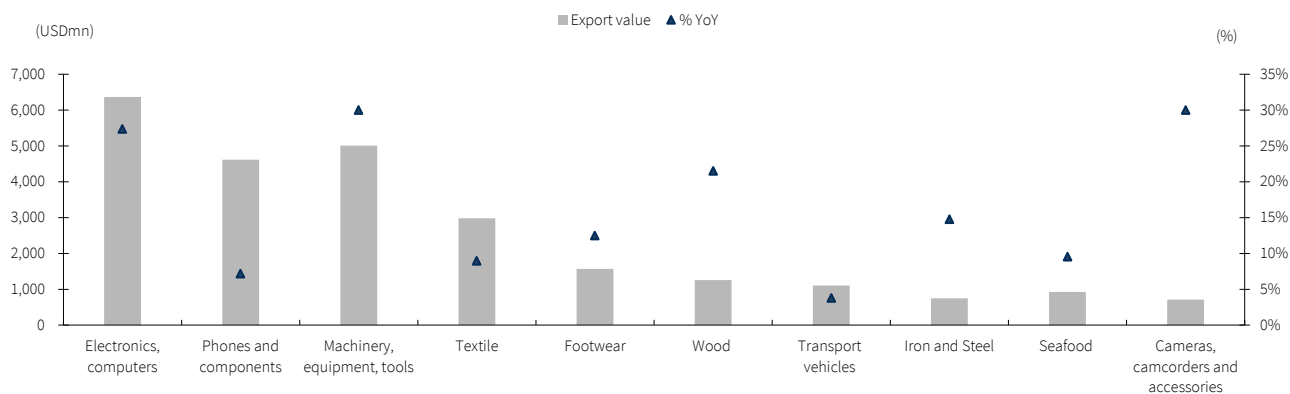
Regarding risks related to the US election, we believe that the election results and differences in trade policies of the two parties will not have a significant impact on Vietnam's export activities, based on: (i) The US-China trade war in 2018 – 2019 has caused US businesses to shift their import structure to Vietnam and some other countries (Figure 14). (ii) Both parties' policies promote investment in production to return to the US, but due to high production costs, moving production back to the US is unlikely to seriously threaten Vietnam's export products. (iii) If Donald Trump becomes President, he would impose a 60% tax on imported goods from China, a significantly higher rate than other countries (10%). This could be an opportunity for Vietnam to increase exports to the US market, but Vietnam needs to have appropriate solutions to minimize the risk of being accused of currency manipulation.

Fig 8. Vietnam – Exports, imports, 12M trade balance (USDbn)



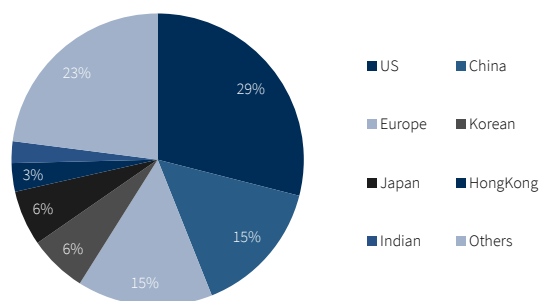
Source: General Statistics Office, KB Securities Vietnam

Fig 9. Vietnam – Export value, growth of key exports in 9M24 (USDmn, %YoY)



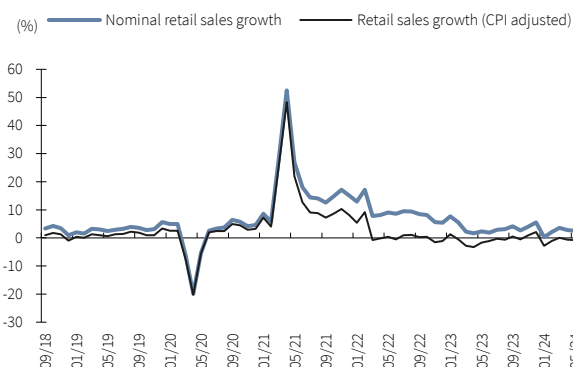
Source: General Statistics Office, KB Securities Vietnam

Fig 10. Vietnam – Export proportion to major partners in 9M24 (%)



Source: Ministry of Industry &amp; Finance, KB Securities Vietnam

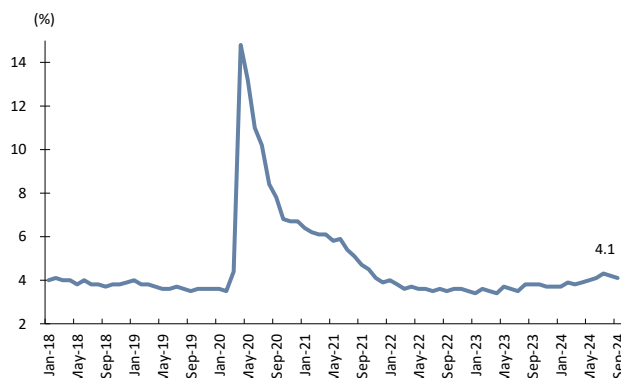
Fig 11. US – Retail sales growth (%)



Source: Ministry of Industry &amp; Finance, KB Securities Vietnam

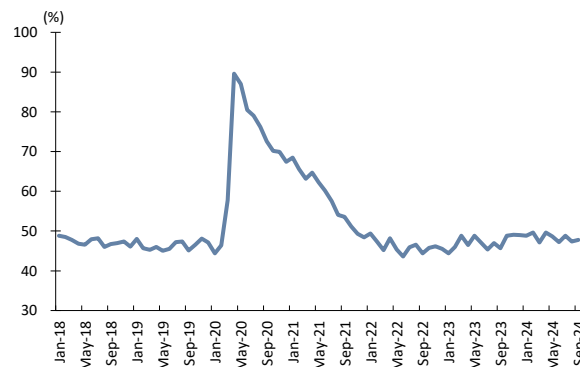


Fig 12. US – Unemployment rates (%)



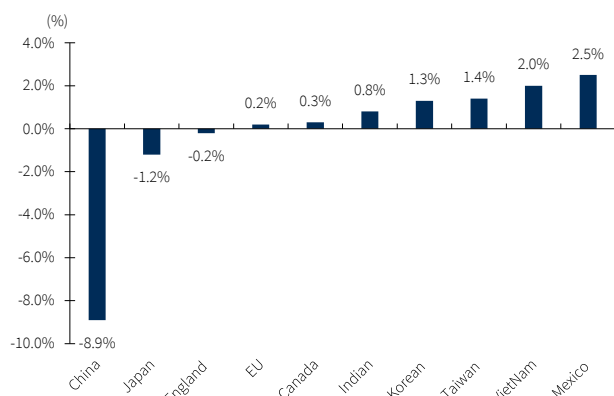
Source: Bloomberg, KB Securities Vietnam

Fig 13. US – Layoffs to unemployment ratio (%)



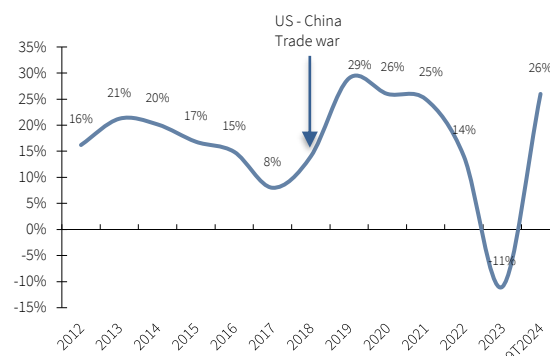
Source: FRED, KB Securities Vietnam

Fig 14. US – Import proportion changes in 2017–2024 (%)



Source: Ministry of Industry &amp; Finance, KB Securities Vietnam

Fig 15. Vietnam – Export turnover to the US (%)



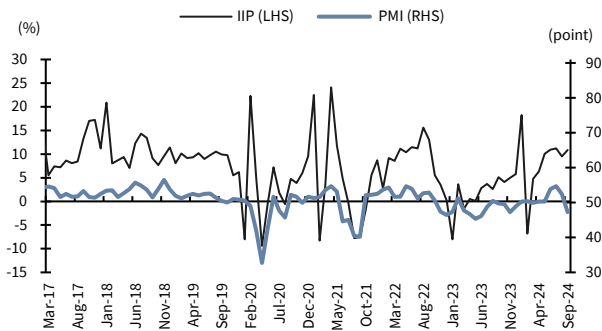
Source: Ministry of Industry &amp; Finance, KB Securities Vietnam

### Industrial production maintains growth momentum following export activities and recovering domestic demand

Busy export activities have positive spillover effects on production. 3Q IIP gained 10% YoY, of which the manufacturing and processing IIP increased by 11.9% YoY, higher than the overall growth rate of the whole industry. We forecast that the growth momentum of exports will continue to boost production in the last quarter of the year, especially the manufacturing and processing industry.

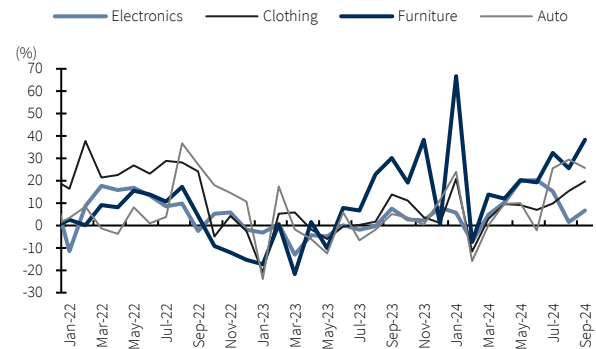
The PMI announced by S&P Global unexpectedly plummeted to 47.3 points in September, the lowest level since November last year. However, S&P Global also said that the number of new export orders decreased slightly, which shows that the decrease in PMI was mainly due to typhoon Yagi affecting the domestic market, while international market demand remained positive. In addition, we also see that the impacts of the typhoon are short-term as most businesses resumed manufacturing after it. This is proved by the fact that IIP of the entire industry in September decreased by a mere of 0.2% MoM, of which the manufacturing and processing industry (the manufacturing industry serving mainly the export markets) still recorded an increase of 2% MoM. Therefore, we maintain a positive forecast for the production and business activities of businesses in 4Q.

Fig 14. Vietnam – IIP &amp; PMI (%YoY, point)



Source: General Statistics Office, KB Securities Vietnam

Fig 15. Vietnam – Growth of some key industries (%YoY)



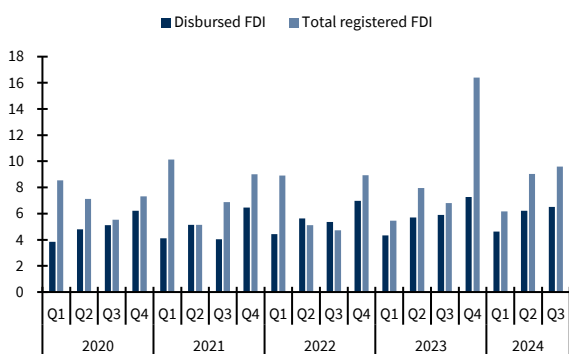
Source: General Statistics Office, KB Securities Vietnam

## FDI capital flows continue to grow steadily

Vietnam's total registered FDI capital in the first nine months of 2024 hit USD24.8 billion, up 11.6% YoY. Disbursed FDI capital increased 8.9% YoY to USD13.9 billion. We expect FDI inflows to Vietnam to continue its stable increase in 4Q thanks to:

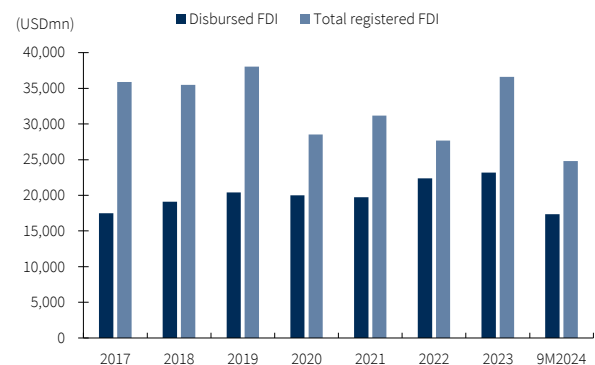
- Vietnam continues to benefit from the trend of shifting production base away from China to diversify supply chains. In addition, the tension between China and Taiwan and the US-China trade war are becoming more complicated, which also forces manufacturers to move out of China.
- Boosting infrastructure investment in recent years has helped Vietnam consolidate its existing advantages in attracting FDI. The ratio of infrastructure investment to GDP in Vietnam in recent years has been among the highest in Asia, reaching an average of 5.7%.
- According to EuroCham, business confidence among European enterprises in Vietnam has improved significantly as the BCI surged to 51.3 in 2Q24 from 46.3 points in the last quarter of 2023.
- The government is enhancing cooperation and upgrading comprehensive strategic relationships with the US, Japan, Australia, and diplomatic visits promoting collaboration with major international partners such as China and South Korea.

Fig 16. Vietnam – Disbursed &amp; registered FDI over the quarters (USDmn)

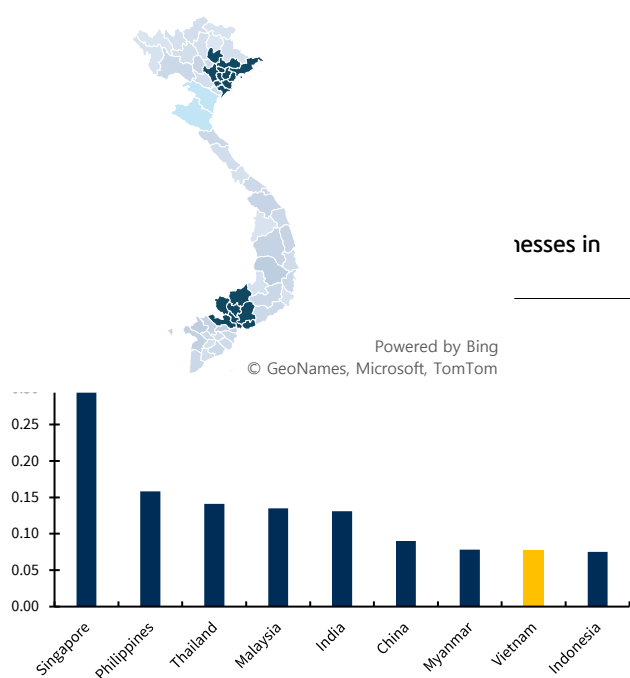


Source: Ministry of Planning &amp; Investment, KB Securities Vietnam

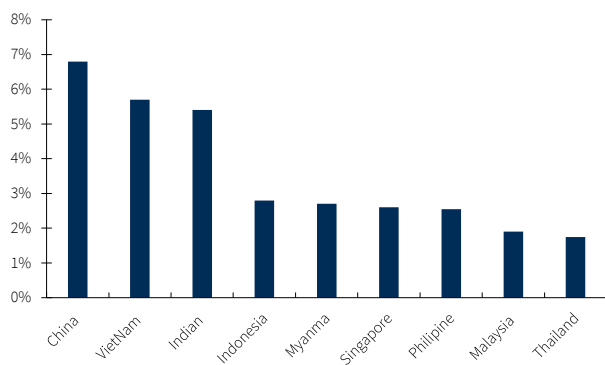
Fig 17. Vietnam – Disbursed &amp; registered FDI over the years (USDmn)



Source: Ministry of Planning &amp; Investment, KB Securities Vietnam



Source: Global Petro Prices, KB Securities Vietnam

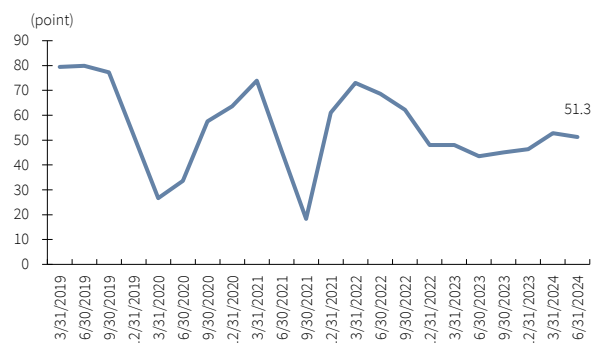
**Fig 20. Global – Infrastructure investment in some Asian countries (%)**

Source: Asia Development Bank, KB Securities Vietnam

**Consumption is expecting a clearer recovery signal**

Consumption posted modest growth, although the government implemented many measures to stimulate consumption such as: (i) giving a 30% salary increase for the public sector; (ii) extending VAT reduction until the end of 2024; (iii) maintaining low interest rates; and (iv) Prime Minister's issuing Directive 29/CT-TTg dated August 27, 2024 on stimulating demand. We expect that in the context of positive consumer demand in the last months of the year, these policies will have a more obvious effect, thereby promoting domestic consumption more strongly.

Regarding tourism, in the first nine months of 2024, Vietnam tourism welcomed more than 12.7 million international arrivals, increasing 43% YoY, which reached the pre-COVID level. We expect the restaurant and tourism services industry to continue the positive growth momentum, boosting domestic consumption.

**Fig 19. Vietnam – Business Confidence Index (BCI) of European companies (point)**

Source: EuroCharm, KB Securities Vietnam

**Fig 21. Vietnam – Public investment projects in 2021–2030****Northern Vietnam:**

- Ninh Binh - Hai Phong highway: 2027
- Ring Road 4 (Hanoi): 2026

**Southern Vietnam:**

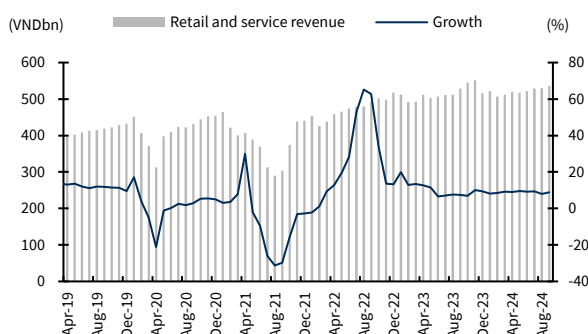
- Ho Chi Minh City Ring Road 3: 2026
- Bien Hoa - Vung Tau: 2026
- Ben Luc - Long Thanh: 2026
- Ho Chi Minh City - Moc Bai: 2027
- Ho Chi Minh City - Chon Thanh: 2027
- Expansion project of Trung Luong - My Thuan and Ho Chi Minh City - Trung Luong highways: 2026
- Dau Giay - Phan Thiet - Vinh Hao highway: 2023

**North - South Highway:**

- 11 North - South Highway projects (Phase 1): to be completed in the period 2022 - 2024
- 12 North - South Highway projects (Phase 2): expected to be completed in 2025

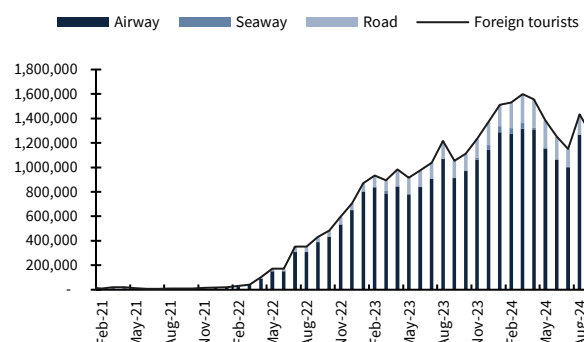
Source: Ministry of Planning &amp; Investment, KB Securities Vietnam

Fig 22. Vietnam – Retail sales of goods & services growth (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 23. Vietnam – International tourists (arrival)



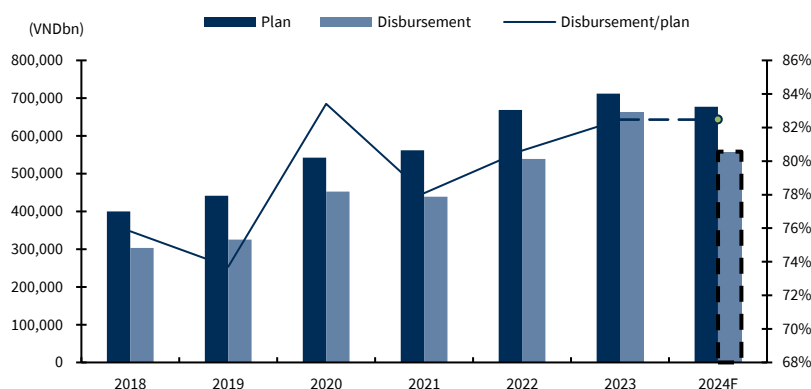
Source: General Statistics Office, KB Securities Vietnam

### Public investment is expected to be boosted in the final period of the year

The progress of public investment disbursement has slowed down compared to the same period in most months mainly due to legal and procedural obstacles. According to the report of the Ministry of Finance, in 9M24, the whole country disbursed VND320,567 billion of public investment capital, equal to 42.96% of the Ministry's plan and 47.29% of the plan assigned by the Prime Minister, lower than the same period in 2023 (47.75% of the Ministry's plan and 51.38% of the plan assigned by the Prime Minister).

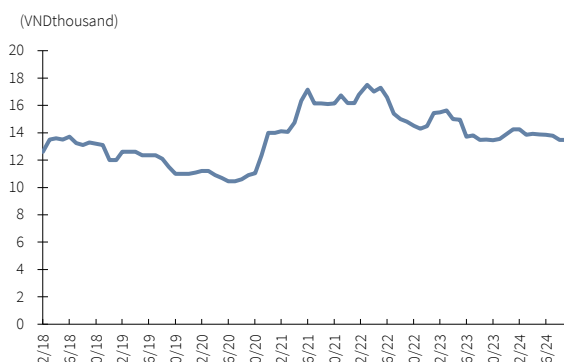
For the whole year of 2024, the Government's public investment plan is estimated at VND677 trillion, accounting for 32% of the state budget, focusing mainly on key projects such as the North-South Expressway, Long Thanh International Airport, Hanoi Ring Roads 4 and 5, and Ho Chi Minh City Ring Road 3. We expect the disbursement rate to be more positive at the end of the year and could reach 82%, equivalent to 2023, based on: (i) Legal and investment bottlenecks are gradually being removed. (ii) 2024 is the fourth year of the 2021–2025 medium-term plan, this is the time when public investment is boosted to complete the assigned targets. (iii) Prices of raw materials are forecast to remain stable at a low level.

Fig 24. Vietnam – Disbursement of public investment in 2018–2024F



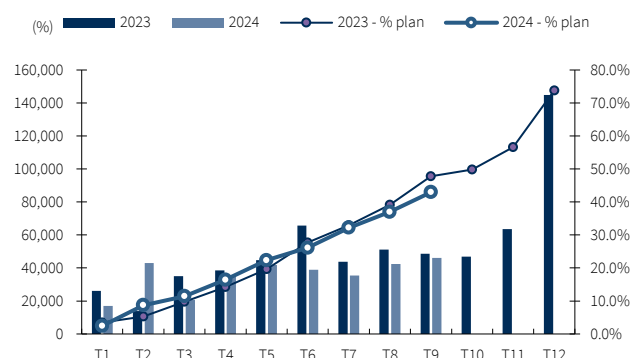
Source: Ministry of Finance, KB Securities Vietnam

Fig 25. Vietnam – Construction steel prices (VND thousand/kg)



Source: Fiinpro, KB Securities Vietnam

Fig 26. Vietnam – Public investment capital realized from the State budget (VNDbn)



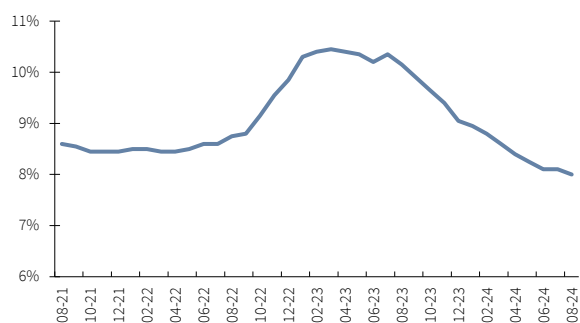
Source: Ministry of Finance, KB Securities Vietnam

### Real estate market has been recovering

The real estate market has recorded signs of recovery in 2024, but there are still many challenges. In 3Q23, the residential real estate market continued to record a supply of 22,412 units, with about 14,750 newly launched products (–25% QoQ but +60% YoY). Legal issues and site clearance are the main reasons for the slow recovery in apartment supply. Transaction volume and absorption rate decreased by 25% and 1ppt QoQ, respectively but increased by 80% and 28ppts YoY. Home loan interest rates remain low (5.5–7%), but transaction volume remains low as the lack of full recovery of contractor and homebuyer confidence and limited supply caused housing prices to rise.

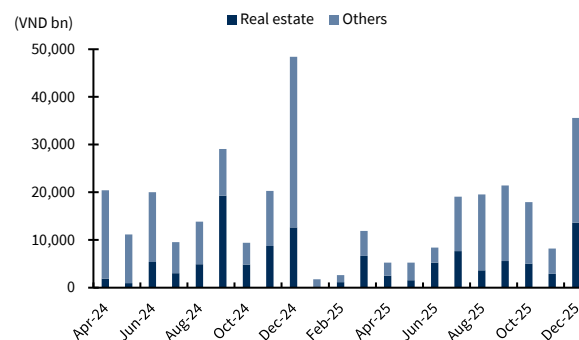
We expect that the acceleration of the implementation of important legal documents such as the Law on Real Estate Business, the Housing Law and the Land Law in August 2024, instead of January 2025 as initially planned, will create a stable legal environment, solving the problem of limited supply. According to Savills, the new apartment supply in 4Q may record 12,700 new apartments (+28% YoY), mainly coming from the Hanoi area with two projects Vinhome Global Gate and Sun Urban City. The increase in supply contributes to meeting the demand of home-occupied owners of the market, thereby stabilizing prices. At the same time, the low interest rate environment and the expansion of credit room for commercial banks will promote recovery on the demand side. As supply and demand gradually recover, we expect to see more positive results from the real estate market in the coming period.

Fig 27. Vietnam – Interest rates for old and new loans (%)



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 28. Vietnam – Bond maturity value (VNDbn)



Source: Hanoi Stock Exchange, KB Securities Vietnam

### III. Inflation

#### 1. 9M24 inflation

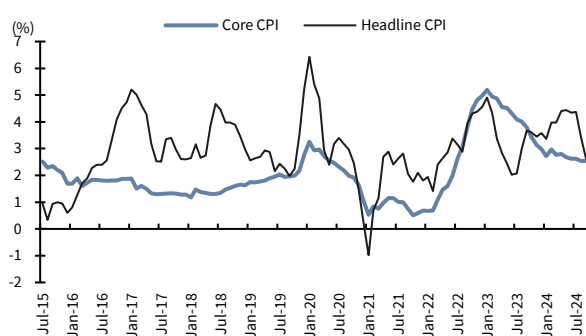
9M24 CPI gained 3.88% YoY, under the government's target. In September alone, CPI rebounded by +0.29% MoM mainly due to: (i) The education group increased by 2.09% MoM when the fees of educational services such as tuition fees at schools and prices of educational products rose on higher demand. (ii) Typhoon Yagi caused some food items to increase in price, specifically foodstuff gaining 0.77% MoM and food rising 1.06% MoM. Core inflation is still on a downward trend, the average core CPI in 9M24 rose 2.54% YoY.

**Prices of food & foodstuff, housing rents, and education and healthcare affected the headline CPI the most**

The main factors affecting the average CPI in 9M24 include:

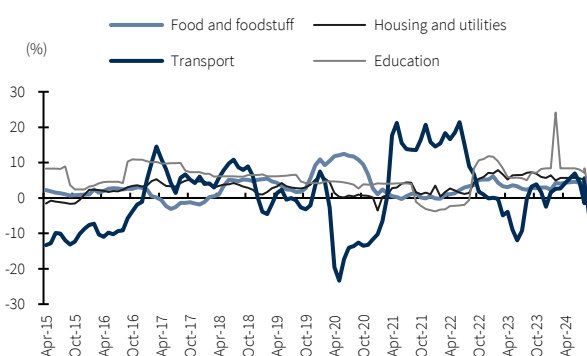
- (i) The price index of food and catering services rose 4% YoY (causing the headline CPI to increase by 1.34ppts), of which domestic rice prices increased following export prices, and pork prices increased due to the impact of African swine fever and supply shortages.
- (ii) The price index of housing, electricity, water, fuel and construction materials increased by 5.33% YoY (causing the heading CPI to increase by 1ppt) mainly due to increased housing rents and EVN adjusting retail electricity prices in 2H23.
- (iii) The education group price index gained 7.51% YoY, and the medicine and healthcare services index rose 7.46% YoY according to the roadmap.

Fig 29. Vietnam – Headline & core CPI (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 30. Vietnam – Contribution of major components to CPI (%)



Source: General Statistics Office, KB Securities Vietnam

## 2. 2024F inflation

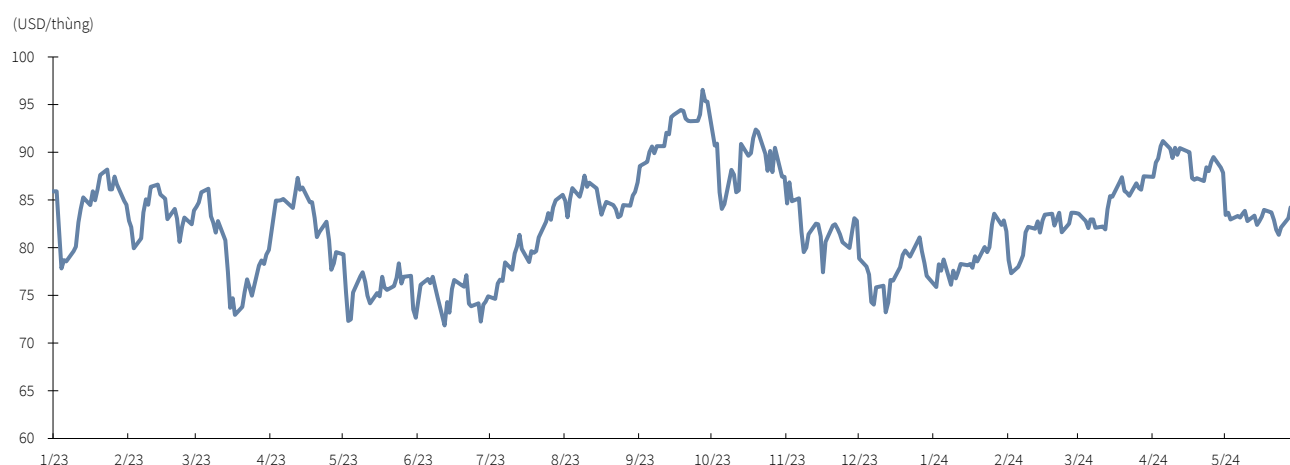
### KBSV maintains 2024F inflation at 3.8% YoY

We maintain our forecast for Vietnam's average inflation in 2024 at 3.8% YoY – well below the government's limit of 4–4.5%. Average CPI should remain stable in 4Q, supported by a high base in the same period in 2023, while MoM increase may be well controlled with: (i) Pork prices are expected to decline slightly and stabilize due to increased supply and the gradual control of diseases. (ii) A falling exchange rate will reduce pressure on imported input price. (iii) Oil prices remain at USD75–80 (–10% YoY). (iv) The increase in state-managed goods (electricity, education and healthcare) will not put too much pressure on the CPI and will be proactively balanced.

### Brent oil prices should be around USD75–80/barrel

Crude oil prices saw strong volatiles and showed signs of peaking in 2Q24. In 3Q24, Brent oil prices plunged to USD70/barrel over concerns about the economic recession in the US, the lackluster recovery of the Chinese and European economies, and the gradual stabilization of crude oil supplies. In the last three months of 2024, we forecast that crude oil prices may remain around the current level, averaging USD75–80/barrel (–10% YoY) due to: (i) Gloomy economic data from Europe and China when support moves have not been reflected in the actual situation. (ii) The US economy may decline slightly in 4Q. Meanwhile, oil prices are forecasted not to fall more sharply than the current level because the OPEC+ group clearly shows its policy of tightening production to support oil prices and uncertain risks related to tensions between Iran and Israel.

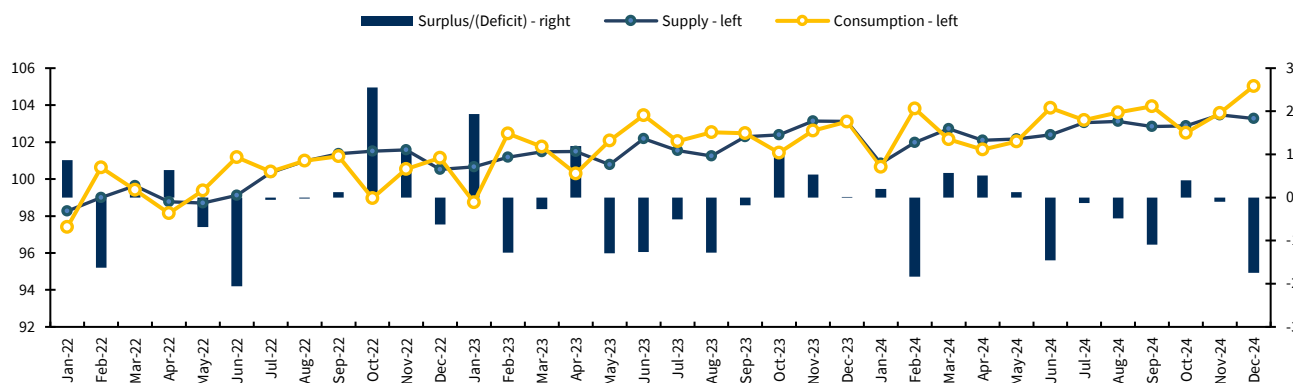
Fig 31. Global – Brent oil prices in 2020–2024 (USD/barrel)



Source: Bloomberg, KB Securities Vietnam



Fig 32. Global – 2024F crude oil supply (million barrels/day)



Source: EIA, KB Securities Vietnam

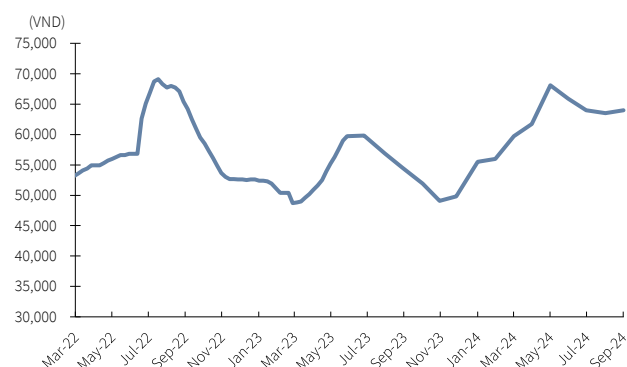
### Pork prices are stable

The average price of live-weight hogs in September rebounded to VND65,000/kg (+2%MoM and +19%YoY). Pork prices showed signs of cooling down in 3Q but rose again in September due to the typhoon Yagi-induced supply shortage. In Northern provinces, pork prices have balanced and decreased again after the storm due to stable supply and demand while the African swine fever has been controlled across localities. The total number of hogs in the country as of the end of September increased 2.5%YoY, and the output of live pigs for slaughter in 9M24 is estimated at 3,835.0 thousand tons, up 5.2% YoY (of which the 3Q output is estimated at 1,287.6 thousand tons, up 4.5%). We forecast that pork prices in the last three months of the year will remain stable at around VND65,000–70,000/kg thanks to recovering supplies.

### Export and domestic rice prices are forecast to decrease in 4Q

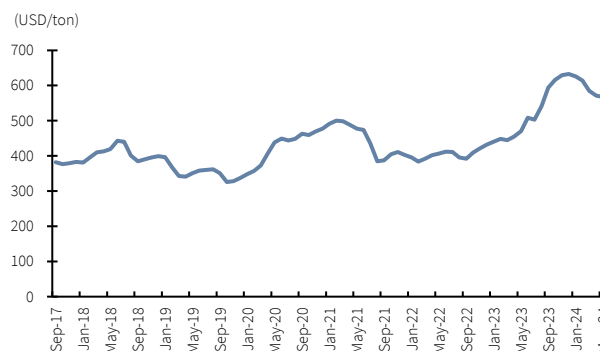
By the end of September 2024, the export price of rice with 5% broken from Vietnam dropped 5% YoY/11% YTD to USD562/ton. Domestic rice prices have also been declining since August 2023. We forecast that export rice prices will continue to decrease in 4Q due to: (i) Increased supply when India – the world's largest rice exporter loosened rice export restrictions; (ii) low consumption demand in large markets such as China. In 7M24, China's rice imports fell 56.9% in volume and 51.8% YoY, marking the third consecutive year of decline.

Fig 33. Vietnam – Average pork price by month (VND/kg)



Source: Animal Husbandry Association of Vietnam, KB Securities Vietnam

Fig 34. Vietnam – Average rice with 5% broken price by month (USD/ton)



Source: Bloomberg, KB Securities Vietnam

### Construction material prices have not shown recovery signs

It is not likely that construction material prices will rebound in 4Q due to: (i) Domestic steel prices remain stable as demand has not recovered strongly and input material prices (iron ore & coking coal) are low. (ii) Gloomy developments in the real estate market as new projects still face difficulties in accessing capital and legal issues.

Fig 35. Global – Raw materials prices for steel production (USD/ton)

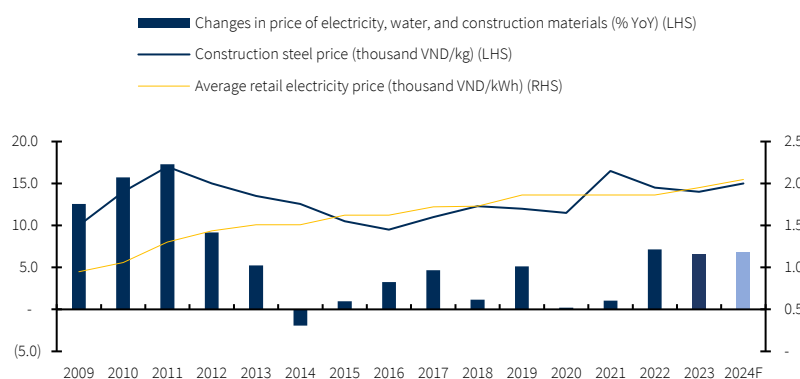


Source: Bloomberg, KB Securities Vietnam

### Electricity price gained 4.8%, which may cause CPI to increase by 0.04%

The average retail electricity price was raised 4.8% from October 11, 2024, which has been mentioned in [our previous report](#). Accordingly, this will cause the CPI to increase by about 0.04%. We believe that this increase will not put much pressure on the average CPI increase in the context of forecasting prices of other commodities (pork, rice, oil, and imported raw material prices) to remain stable or tend to decrease slightly at the end of the year.

Fig 36. Vietnam – The prices of electricity and construction steel & CPI of electricity, water, and construction materials (VND/kWh, VND/kg, % YoY)



Source: General Statistics Office, FiiPro, KB Securities Vietnam

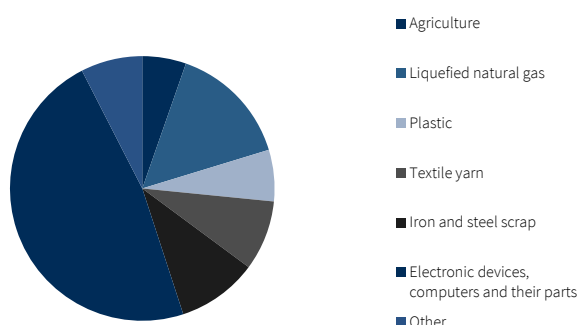
### Education prices face less pressure to increase at the end of the year

In 3Q24, most schools have raised tuition fees, and prices of educational goods have also increased due to peak demand in September. Therefore, we believe that the increase will slow down in the last months of the year. In addition, compared to the high base level of 2023, the price increase pressure of the education group is not too large, so we expect the CPI of the education group in the whole year of 2024 will increase by 6% YoY.

### Imported raw material prices are forecast to decrease

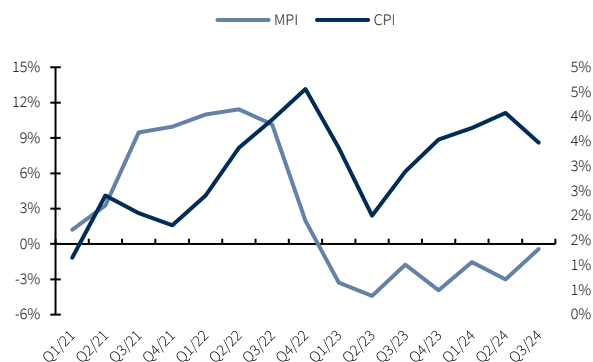
During the last quarter, the import price index of essential goods continued to decrease in line with the world commodity prices. As global demand is not expected to change much in 4Q, while the exchange rate is forecast to continue to decrease, commodity prices will not fluctuate much, we believe that imported raw material prices will continue to witness a slight decrease.

Fig 37. Vietnam – Proportion of imports



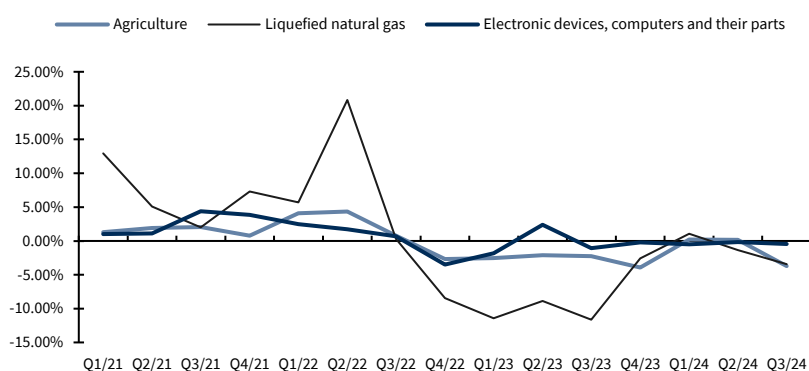
Source: Bloomberg, KB Securities Vietnam

Fig 38. Vietnam – Import price index & CPI (% YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 39. Vietnam – Import price index of commodity groups (% QoQ)



Source: General Statistics Office, KB Securities Vietnam

Table 2. Vietnam – 2024F average CPI (%)

No.	Groups	Weight (%)	+/- (% YoY)	Contribution to CPI (%)
1	Food and foodstuff			
	Food	3.67	10.0	0.4
	Foodstuff	21.28	2.2	0.5
	Eating out	8.61	4.2	0.4
2	Beverages and tobacco	2.73	2.5	0.1
3	Clothing and footwears	5.7	1.7	0.1
4	Housing, water, electricity, gas and other construction materials	18.82	6.5	1.2
5	Furniture, household equipment and maintenance	6.74	1.3	0.1
6	Medicine & healthcare services	5.39	7.0	0.4
7	Transportation	9.67	1.6	0.2
8	Communications	3.14	-1.2	(0.0)
9	Education	6.17	6.0	0.4
10	Culture, entertainment & tourism	4.55	1.7	0.1
11	Others	3.53	5.0	0.2
<b>Total</b>				<b>3.8</b>

Source: KB Securities Vietnam

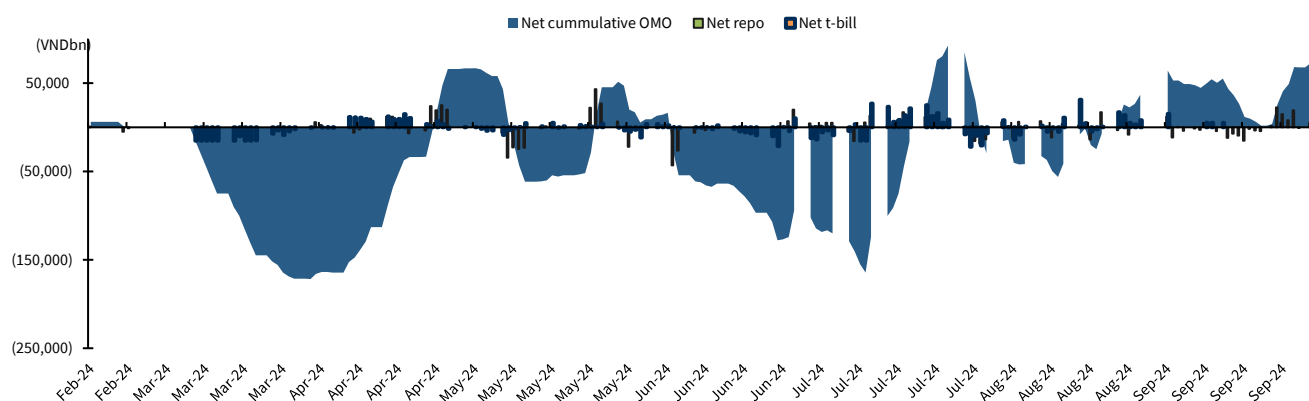
## IV. Interest rates

### 1. 9M24 interest rates

#### SBV supports system liquidity, and interbank market interest rates cool down

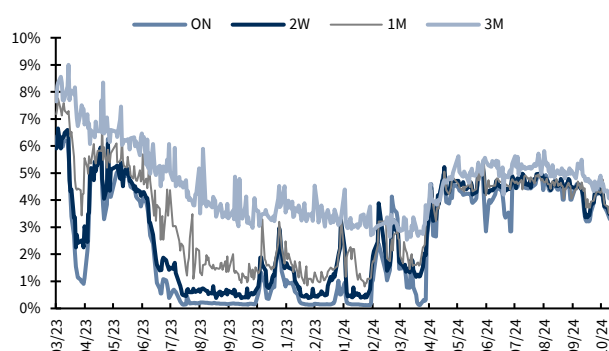
In contrast to the tense developments in the first six months of the year, the system liquidity remained balanced in 3Q after the Fed's rate cut (-50bps). This gives the SBV more flexibility in monetary policy matters and makes it return to inject cash into the market through (i) suspending the issuance of treasury bills from the session on August 26 and money withdrawal after many months and (ii) maintaining the OMOs and adjusting interest rates from 4.5% to 4.0% at the present time. As of October 1, the SBV has injected more than VND70 trillion into the system. The overnight interbank interest rate level thus remained stable, only increasing slightly in the last trading days of the quarter but then falling back to 3.3% on October 10 (down 72bps compared to the end of August). For the 2W, 1M, 3M terms, the current interbank interest rates were also reset at a lower level than the previous quarter to 3.47%, 3.63%, 4.05% (-101 bps, -42 bps, -104 bps MoM), respectively.

Fig 40. Vietnam – OMOs & interest rate developments (VNDbn, %)



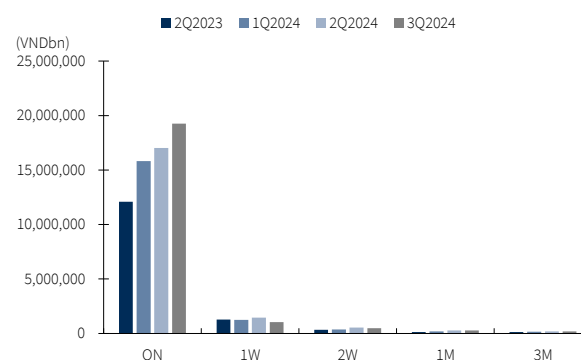
Source: State Bank of Vietnam, KB Securities Vietnam

Fig 41. Vietnam – Interbank interest rates (%)



Source: FiinPro, KB Securities Vietnam

Fig 42. Vietnam – Average interbank trading volumes (VNDbn)

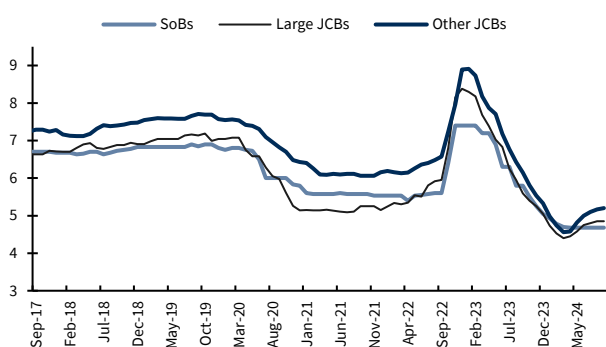


Source: FiinPro, KB Securities Vietnam

### Deposit interest rates increase more slowly, and there is differentiation between banking groups

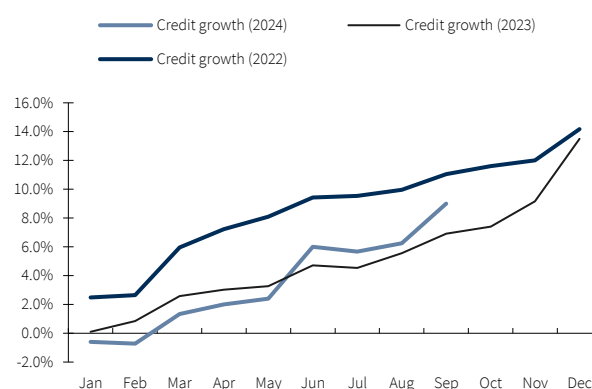
Deposit interest rates in the customer channel still follow an uptrend, but the growth has slowed down compared to the previous quarter due to the pressure on customer deposits not being too large as (i) the liquidity of the system is less tense, and interbank interest rates have dropped to 3.3–4%. (ii) Credit growth in 3Q is still slow compared to the target of 15% in 2024 (only reaching 7.38% YTD as of mid-September and reaching 9% YTD at the end of the month. Credit often surges at the end of the reporting period). 1-year deposit interest rates continue to increase at small-scale joint stock commercial banks (+20bps), large-scale commercial banks (including Techcombank – TCB, Military Bank – MBB, Asia Commercial Bank – ACB, and Vietnam Prosperity Bank – VPB) (+10bps vs 2Q24). Meanwhile, the group of state-owned banks (SoBs) has maintained a flat deposit interest rate at 4.68% since April. In general, the deposit interest rates of banks are still low, 92bps, 26bps, and 86bps respectively lower than the bottom of Covid-19 by for the SoBs, large and small joint stock commercial banks. Meanwhile, lending interest rates are often reflected later and have a lag compared to deposit interest rates, so they continue to decrease in 3Q. According to the SBV the current average lending interest rate for new loans is 6.23%, 0.86% lower than the rate at the end of last year. However, we believe that lending interest rates may have bottomed out in 3Q and will recover in the coming time with (i) improved economic prospects, reduced customer support programs as in the previous period and (ii) increased input costs due to the increase in interest rates at the beginning of the year.

Fig 43. Vietnam – Average 12M deposit interest rate of banking groups (%)



Source: Bloomberg, KB Securities Vietnam

Fig 44. Vietnam – Credit growth over the months (%)



Source: State Bank of Vietnam, KB Securities Vietnam

## 2. 2024F interest rates

Deposit interest rates are expected to increase slightly by 10–30bps, but remain at a low level from now until the end of the year.

As the Fed may have two more interest rate cuts in November and December, while foreign currency sources will be more abundant towards the end of the year, we believe that the exchange rate will tend to cool down in 4Q, although the pressure may still appear at some points in the early stages of the quarter. Accordingly, the SBV can provide liquidity to the banking system and keep the customer interest rate level at a lower base than in 2Q & 3Q. Therefore, we

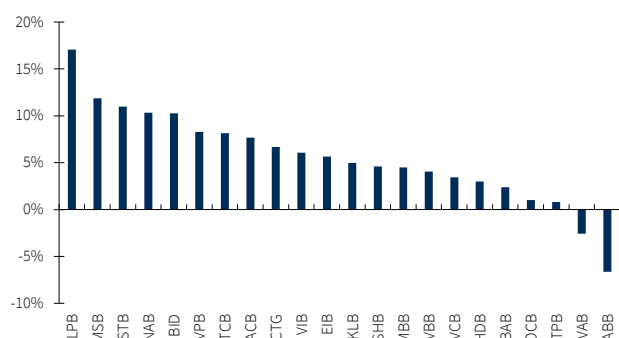
expect that the deposit interest rate average in 4Q will be maintained at the current level or grow by a mere of 30bps. Key factors affecting the deposit interest rates include:

- **The balance between credit and deposit growth:** We believe that banks will increase mobilization to meet credit demand, which usually accelerates in 4Q each year. 60% of the full-year deposit target has been completed. The basis for banks to complete the 15% growth target includes: (i) Positive import-export turnover showing the continued recovery of the manufacturing and import-export industry; (ii) the real estate market having more supplies in the last period of the year; and (iii) the SBV's considering granting additional limits to a number of banks with good credit disbursement rates (expected to increase by 2–2.5%).
- **Stable interest rates:** We suppose that the interest rate average is not likely to surge because the exchange rate factor has become less risky, so the SBV does not need to apply drastic monetary policies to protect the domestic currency as in 2Q and early 3Q. In fact, the liquidity of the system has been actively supported recently with lower OMO interest rates and net injection, showing the flexible management policy of the SBV. Therefore, the interbank interest rate level will be reset at a lower level (expected to decrease by 0.5–1% from the current level – as mentioned in the Report on [Vietnam Market Outlook 4Q24](#)), creating a more abundant liquidity transmission mechanism and alleviating the pressure to raise customer interest rates.

Forecast for the level of interest rate increase for each group of banks:

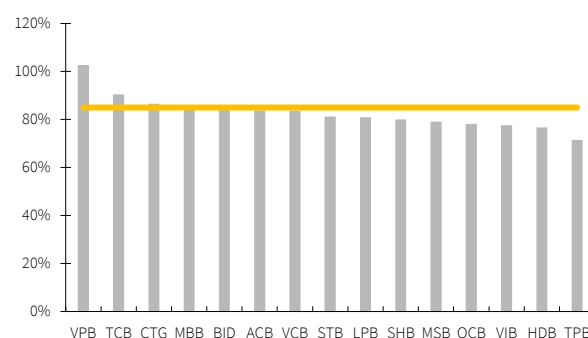
- **SoBs:** There has not been any interest rate adjustment since the beginning of the year as the State Treasury deposits (increased sharply in 2Q) have helped support liquidity. However, the current LDR of BID Bank (BID) or VietinBank (CTG) is close to 85%. According to the new regulation TT26/2022 from January 1, 2025, 80% of State Treasury deposits will not be included in the deposit portion to calculate LDR (vs 60% according to the old regulation). Therefore, state-owned commercial banks may raise customer mobilization in late 2024 – early 2025 to keep the LDR in accordance with the regulation.
- **Private commercial banks:** 12M interest rates at these banks have increased by 45–65bps from the bottom in the context of interbank interest rates remaining high for a long time. At present, interbank interest rates are expected to be reset at a lower level (down by another 0.5–1%), we believe that private banks will increase the proportion of mobilization from interbank channel, thereby reducing the pressure on mobilization from customers. Deposit interest rates should gain 10–30bps in 4Q, and smaller private banks may have larger increases.

Fig 45. Vietnam – Deposit growth at banks (% YTD)



Source: Bloomberg, KB Securities Vietnam

Fig 46. Vietnam – LDR at banks in 2Q24 (%)



Source: Bloomberg, KB Securities Vietnam

Table 3. Vietnam – 12M deposit interest rates at banks

	SoBs			Large commercial joint stock banks				Other commercial joint stock banks								
Date	VCB	CTG	BID	MBB	TCB	VPB	ACB	STB	SHB	HDB	VIB	TPB	SSB	MSB	EIB	OCB
1/4/2024	4.60%	4.70%	4.70%	4.50%	4.40%	4.40%	4.30%	4.50%	4.80%	4.70%	4.50%	4.70%	3.55%	4.00%	4.80%	4.80%
1/5/2024	4.60%	4.70%	4.70%	4.50%	4.30%	4.70%	4.30%	4.70%	4.80%	4.70%	4.80%	4.90%	3.55%	4.20%	4.80%	4.80%
1/6/2024	4.60%	4.70%	4.70%	4.60%	4.50%	4.90%	4.30%	4.70%	4.80%	5.10%	4.80%	5.00%	3.85%	4.20%	4.80%	4.80%
1/7/2024	4.60%	4.70%	4.70%	4.70%	4.80%	5.10%	4.40%	4.70%	5.00%	5.10%	4.70%	5.20%	4.25%	5.10%	4.90%	5.10%
1/8/2024	4.60%	4.70%	4.70%	4.80%	4.80%	5.20%	4.40%	4.70%	5.00%	5.40%	4.70%	5.20%	4.75%	5.10%	5.00%	5.10%
1/9/2024	4.60%	4.70%	4.70%	4.80%	4.80%	5.40%	4.40%	4.90%	5.00%	5.40%	4.90%	5.20%	4.50%	5.10%	5.00%	5.10%
1/10/2024	4.60%	4.70%	4.70%	4.80%	4.80%	5.40%	4.40%	4.90%	5.20%	5.40%	4.90%	5.20%	4.50%	5.10%	5.00%	5.10%

Source: Bloomberg, KB Securities Vietnam

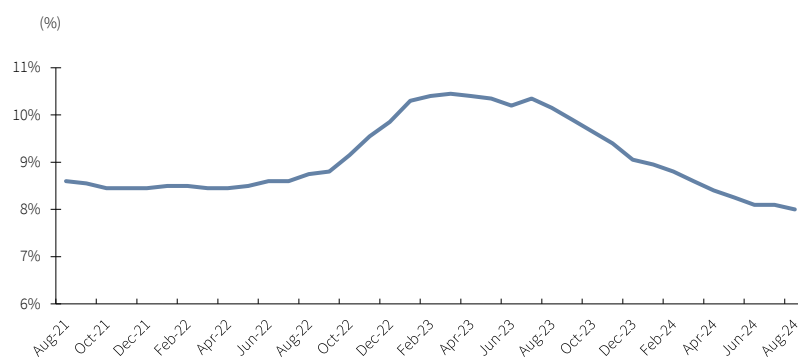
### Lending interest rates should post modest gains in the final period of the year

As we have mentioned in previous reports, lending interest rates are likely to have bottomed out and increase slightly again in 4Q, based on: (i) The economic situation has been recovering, thereby gradually reducing customer support programs as in the early period of the year. (ii) Lending interest rates have increased to catch up with higher CoF after the adjustment of interest rate increases by most banks, causing NIM to plummet in 1H24. (iii) The asset quality of the whole industry has not deteriorated but has not improved significantly, so banks will rebalance lending interest rates to compensate for potential risks in customers' ability to repay in the future, especially when Circular 02 on debt restructuring will expire at the end of this year.

Recently, under the influence of typhoon Yagi, the banking industry is implementing solutions to support customers to overcome the consequences of the natural disaster, including (i) restructuring the repayment period for loans; (ii) considering reducing interest rates; and (iii) continuing to provide new loans to support production and business. However, this support only applies to some Northern provinces that suffered damage from the typhoon, so it will not have much influence on the recovery of the overall lending interest rate of the entire industry.



Fig 48. Vietnam – Average lending interest rates for old & new loans (%)



Source: State Bank of Vietnam, KB Securities Vietnam

## V. USD/VND exchange rate

### 1. 9M24 USD/VND exchange rate

#### Interbank exchange rate cooled down after the Fed's rate cut

In contrast to the tense developments in the second quarter, as of September 30, the USD/VND interbank exchange rate cooled down to 24,568 (+1.23% YTD, strongly declining from +4.9% YTD at the end of 2Q). The recent appreciation of the VND reflects (i) the weakening of the DXY after the Fed's interest rate cut by 50bps and (ii) the gradual decrease in demand for USD for imports towards the end of 3Q. In October, the USD/VND exchange rate increased again in response to the US non-farm payroll data for September, which reported 254 thousand jobs created, much higher than August's 159 thousand and far exceeding the forecast. The US unemployment rate in September was 4.1%, lower than 4.2% in August. Facing the pressure of the exchange rate possibly increasing again, the SBV has temporarily stopped pumping liquidity through the OMO market.

#### Unofficial exchange rates also decreased

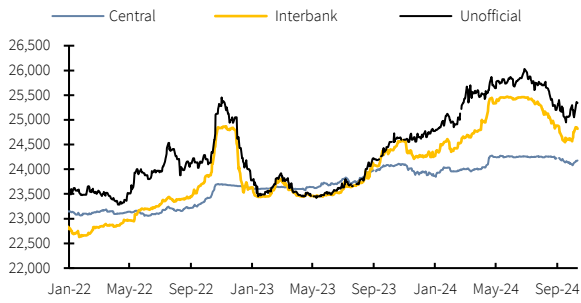
The unofficial USD/VND exchange rate has a similar development when it fell to VND25,300/VND in the selling direction (+2.14% YTD, -3.19% from the peak in June). In 3Q, the world gold price continuously set a historical peak, the SBV also adjusted the selling price of SJC gold to increase by VND3 million to catch up with the rapid increase in the world gold price, limiting speculative activities in the market. Currently, the difference between the price of SJC gold/ring gold and the world gold price is only about VND4 million/tael (lower than the difference of VND8-9 million/tael at the end of June). The gap between domestic and world gold prices has narrowed, so we believe that the SBV will have a specific roadmap for amending Decree 24 to improve the supply of gold bars and stabilize the market.

#### NEER and REER moved in the same direction

According to our calculation model, the NEER and REER still moved in the same direction in 9M24, with respective decreases of 1.5% YTD and 1.2% YTD, implying that VND depreciated against its trading partners, but the depreciation was less severe when considering inflation.

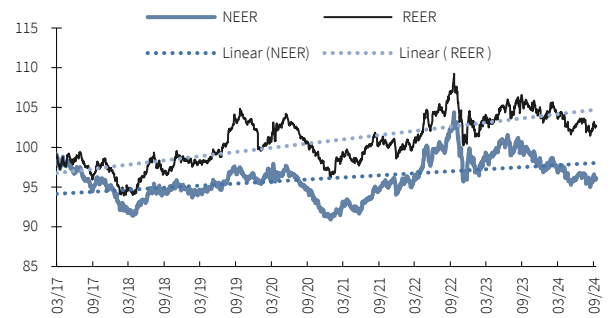
NEER decreased mainly because VND depreciated against USD, EUR, and CNY while appreciating against KRW and TWD, helping undermine NEER's decline. The milder decline in REER reflects that Vietnam's CPI remains higher than the average CPIs of its trading partners.

Fig 50. Vietnam – USD/VND exchange rate (VND)



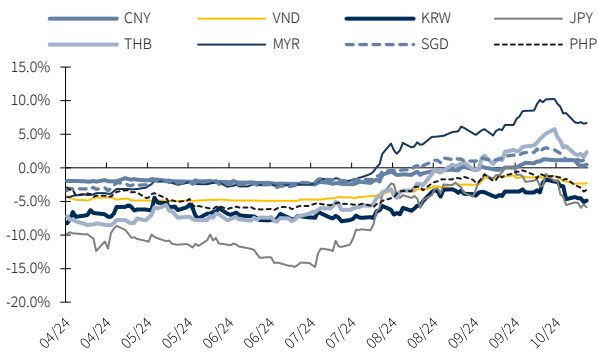
Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 51. US – NEER & REER (point)



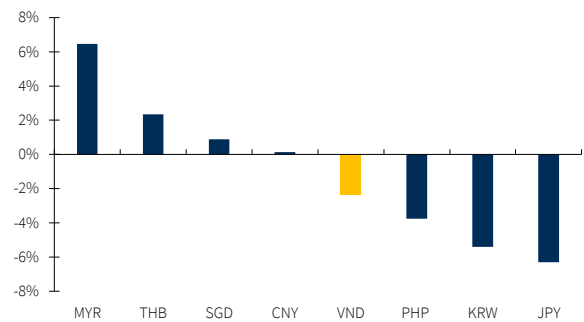
Source: Bloomberg, KB Securities Vietnam

Fig 52. Global – USD against other currencies (% YTD)



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 53. Global – USD against other currencies as of October 14, 2024 (% YTD)



Source: Bloomberg, KB Securities Vietnam

## 2. 2024F USD/VND exchange rate

The Fed is expected to have to more rate cuts until the end of 2024 with a decrease of 25bps each time

September data on the US labor market shows a more positive economic picture than the recession scenario (mentioned above). In addition, the CPI in September rose 2.4% YoY, slowing down slightly compared to the 2.5% increase in August. These figures have changed market expectations about the Fed's interest rate cut roadmap. According to CME, the market is expecting the Fed to cut interest rates by another 25bps in November with a probability of 86.8% compared to 50% last month.

Table 4. US – Probability of rate cuts according to futures (%)

Meeting date	250–275	275–300	300–325	325–350	350–375	375–400	400–425	425–450	450–475
11/7/2024					0.0%	0.0%	0.0%	0.0%	86.8%
12/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	82.2%	17.1%
1/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	63.3%	32.1%	4.5%
3/19/2025	0.0%	0.0%	0.0%	0.0%	0.0%	60.8%	33.3%	5.6%	0.3%
5/7/2025	0.0%	0.0%	0.0%	0.0%	39.0%	43.2%	15.5%	2.2%	0.1%
6/18/2025	0.0%	0.0%	0.0%	25.2%	41.7%	25.3%	6.9%	0.9%	0.0%
7/30/2025	0.0%	0.0%	9.4%	31.3%	35.6%	18.5%	4.7%	0.6%	0.0%
9/17/2025	0.0%	3.2%	17.0%	32.8%	29.7%	13.7%	3.2%	0.4%	0.0%
10/29/2025	0.7%	6.3%	20.5%	32.1%	26.1%	11.3%	2.6%	0.3%	0.0%

Source: CME Group, KB Securities Vietnam

USD/VND exchange rate forecast at 25,120 in 2024

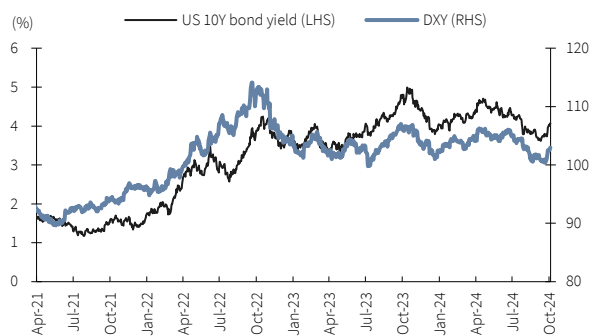
With the Fed almost certainly having two more interest rate cuts in the last two meetings of the year, DXY may recover but is unlikely to bounce strongly, while the peak period of foreign currency demand of enterprises has passed, we believe that the exchange rate risk in 4Q is no longer too large, although pressure may still appear at times in the first half of the quarter.

KBSV maintains the forecast of the exchange rate at the end of 2024 at VND25,120/USD (+3.5% YTD).

Exchange rate pressure may increase in the first half of 4Q before cooling down towards the end of the year

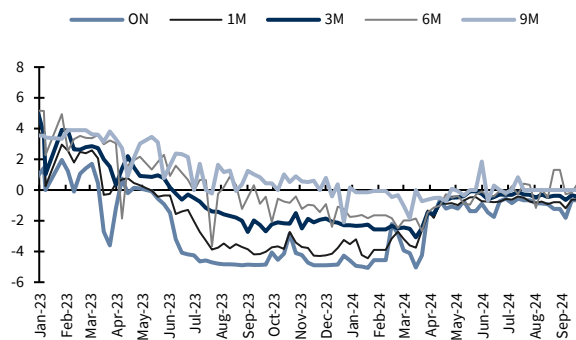
In the first half of 4Q, the exchange rate pressure may still exist due to the recovery trend of DXY amid the stronger-than-expected US economy, combined with the Treasury's purchase of USD (to serve spending needs and repay government debt) and import demand of some large enterprises. We do not rule out the possibility that the exchange rate will at times surpass the current selling price threshold of the SBV at VND25,350. In this scenario, the SBV will issue treasury bills and raise the selling price to VND25,450 (which was maintained in 2Q and 3Q) instead of selling foreign exchange reserves. The exchange rate will cool down further towards the end of the year when the Fed cuts interest rates twice more in November and December (helping cool down the DXY), and the abundant foreign currency source at the end of the year comes from remittances, FDI, and trade surplus.

Fig 53. US – 10Y bond yield & DXY (%)



Source: Bloomberg, KB Securities Vietnam

Fig 57. Vietnam – USD – VND interest rate difference (%)



Source: Bloomberg, KB Securities Vietnam

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**Investment ratings & definitions**

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**Investment Ratings for Stocks**

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

**Investment Ratings for Sectors**

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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