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# July credit growth

## Slowing down and signal of another policy rate cut

### Credit grow slowing down in July

- The State Bank of Vietnam (SBV) recently revealed that the banks had logged 3.5% credit growth for the year until end-July vs the 3.3% figure for the June. This year-to-date 2020 figure is much lower than the same period in 2019 (7.13%) and is also the lowest level in the past seven years.
- Weaken credit growth, coupled with the slowdown of industrial production index (IIP) and PMI, are remarkable signal that the economy, especially the manufacturing sector still struggle to recover post-Covid 19's first wave. Data from commercial banks in the first half of 2020 also saw muted credit growth in some banks such as BID, CTG, and TCB, reflecting weak loan demand but not lower lending standards for bad debt concerns.

### We raise the possibility of another policy rate cut from SBV in 2H 2020 in an effort to boost the economic growth and stabilize the macro

- We expect another policy rate cut from SBV in 2H 2020, different from our recent macroeconomic report as the second Covid-19 outbreak at the end of July and weak credit growth. This is an effort to achieve the 2020 GDP growth target of 3-4% were recently mentioned by the Prime Minister. Besides, we maintain our forecast of 2020 average CPI of 4% - which is also the target level of the government. Thus, inflation will be a necessary condition for SBV whether to cut the policy rate or not in 2H 2020.

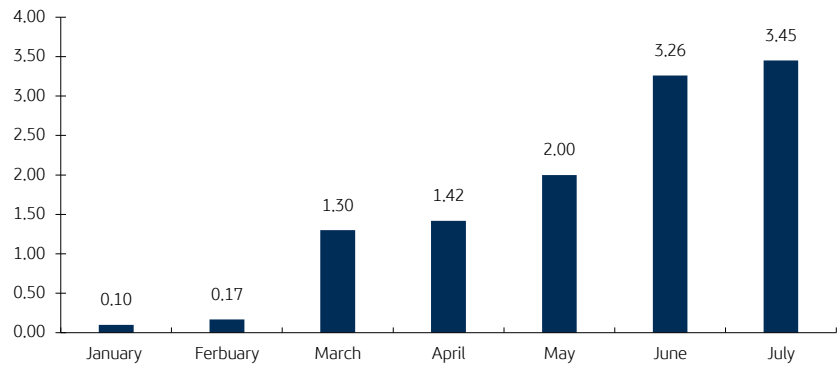
### Deposit rates are expected to continue to decline in the coming time

- Deposit rates are forecast to continue to decrease in the short time with 3 main factors: 1) policy rate cut; 2) ample liquidity in 2H 2020; and 3) the extension of prudential measures on short-term funding instruments.
- In reality, up to the early of August 2020, deposit rates decreased by 20 - 50 basis points compared to the beginning of July in most commercial banks.



**Fig 1. Vietnam banks – YTD credit growth, Jan 20 – July 20 (%)**

Credit growth is weakened in July after strong pace in June



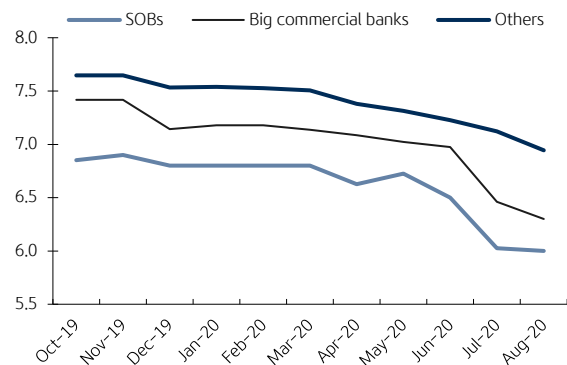
Source: State Bank of Vietnam, KB Securities Vietnam

**Fig 2. Vietnam banks – credit growth and 2020 credit quotas, 2019 – 2020 (% YTD)**

Ticker	2020 credit quota	Actual 2019 credit growth	2Q credit growth
VCB	10.00	15.90	4.91
BID	9.00	12.60	2.00
CTG	8.50	7.30	1.10
TCB	13.00	17.00	3.49
ACB	11.75	16.60	5.60
VPB	13.00	17.90	9.79
MBB	11.75	15.80	7.53
HDB	11.00	19.60	11.09

Source: KB Securities Vietnam

**Fig 3. Vietnam banks – Deposit rates for term 12 month, Oct 19 – Aug 20 (%)**



Source: KB Securities Vietnam

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### Investment Ratings for Stocks

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

Buy:	Hold:	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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