KB Securities VIETNAM

Macro Outlook 2024

Anticipating flourishes

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KBSV's forecasts regarding the Vietnamese economy in 2024 are as follows:

1) GDP growth is anticipated to be robust at 6%. Factors acting as stimulants to the country's economy include: (i) consistent growth drivers such as exports, industrial production, and domestic demand showing signs of recovery, the stable influx of foreign direct investment (FDI); (ii) robust public investment, the ongoing expansionary fiscal policy given ample space; (iii) an accommodative monetary policy; and (iv) the real estate market developing in a healthier and more transparent way.

2) The average CPI should increase by 3.5% YoY, well below the government's target cap of 4-4.5%. Components helping to curb inflation are: (i) Brent crude oil prices continuing their downward trend in 2024; (ii) pork prices projected to rise slightly from a low base; (iii) construction material prices remaining stable; (iv) moderate pressure from monetary policy; and (v) imported inflation under downward pressure. Conversely, catalysts that could lead to higher-than-expected inflation consist of: domestic rice prices following global price increases; prices of some government-controlled items like electricity, education, and healthcare services rising according to the planned roadmap; wage reforms; and geopolitical risks that may disrupt the supply chain, pushing global energy and commodity prices.

3) The 12-month deposit interest rate is projected to stay low, ranging from 4.85% to 5.35%. Nonetheless, the average lending interest rate still has room to move lower by 0.75% to 1.0%.

4) The USD/VND exchange rate is supposed to expand by 1.5%, hovering around 24,600 due to an overall positive trade balance outlook. However, the pressure from the USD and VND interest rate differentials, while decreasing, is expected to persist throughout 2024.

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I. Executive Summary

The macroeconomic picture displayed a rather subdued color palette in 2023: the agriculture, forestry, fisheries, and service sectors maintained stable growth, while industry and construction weakened, reflecting challenges in production and business operations due to a decline in order volumes amidst an unfavorable international macroeconomic environment and signs of stagnation in the property market. Nevertheless, the sustained growth trend observed in each quarter signals a positive outlook, indicating prospects for economic recovery in the near future.

In 2024, we anticipate that signs of economic resurgence will return, driven primarily by the recovery of export activities, resulting in industrial production growth, increased public investment, expansionary fiscal policy, accommodative monetary policy, and domestic consumer recovery through demand stimulation.

The stability of the macroeconomic environment is likely to be maintained and further improved in 2024, with inflation and exchange rate posing minimal pressure.

Table 1. Vietnam – 2023A–2024F macro indicators

			KBSV forecasts
	Unit	**2023**	**Jan 2024**
GDP growth	% YoY	5.05	6
Average CPI	% YoY	3.25	3.5
Credit growth	% YTD	13.5%	13.5% – 14.5%
12M deposit interest rate	%/year	5.13%	4.85% – 5.35%
USD/VND exchange rate	VND	24,269	24,600

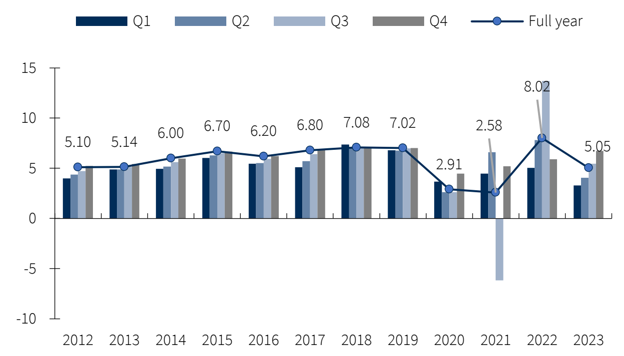
Source: KB Securities Vietnam

II. GDP growth

1. 2023 GDP growth

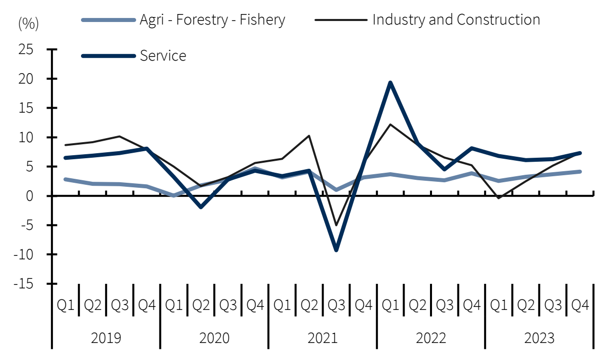
The General Statistics Office (GSO) estimates GDP growth for the entire year of 2023 at 5.05% YoY, the lowest in the past 24 years, excluding the years 2020–2021 when the COVID-19 pandemic took a heavy toll on the economy. This indicates a noticeable slowdown in Vietnam's economy amid global uncertainties, weakened domestic demand, and a real estate market falling into a stagnant phase. Nonetheless, macroeconomic indicators have followed a recovery trend month by month. Bright spots have emerged in tourism, retail sales of goods and services, especially the export sector, contributing to the recovery of industrial production. In the fourth quarter, GDP rose by 6.72% YoY, surpassing the growth rates of the first quarter (3.41%), second quarter (4.25%), and third quarter (5.47%).

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 weakened, while realized social investment capital continued to be robust.

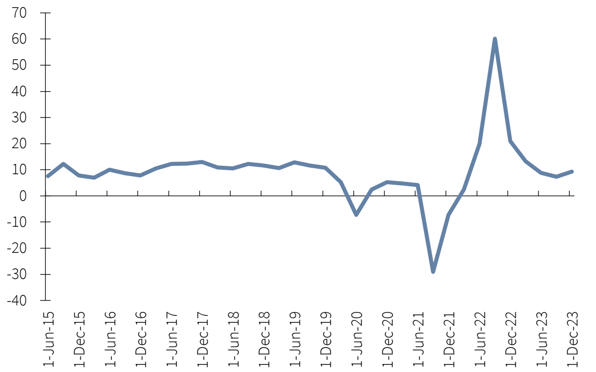
Domestic consumption weakened

Final consumption slowed down in 2023, reaching a mere 3.52% YoY, reflecting weak domestic demand. Trade and service activities maintained stable growth, with the total retail sales of goods and services up 9.6% YoY to VND6,231.8 trillion. The main driving force came from the tourism sector, which saw a 52.5% YoY increase but with a relatively low proportion. Retail sales of goods grew by only 8.6% YoY, causing the overall growth to be lower than the average of the pre-pandemic 10-year period, which was around 14%.

Realized social investment capital continued to be robust

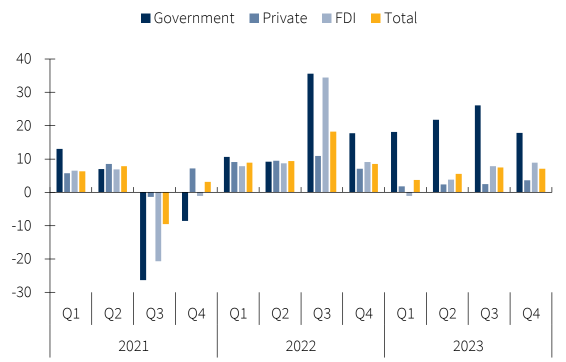
The realized investment capital of the entire society in 2023 was VND3,423.5 trillion, up 6.2% YoY. Private sector contributions amounted to VND1,919.7 trillion (up 2.7% YoY), while FDI reached VND550.2 trillion (up 5.4% YoY), and the state sector contributed VND625.3 trillion (up 21.2% YoY).

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



Source: General Statistics Office, KB Securities Vietnam

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



Source: General Statistics Office, KB Securities Vietnam

From the supply side, industry and construction experienced slow growth but showed signs of recovery over quarters, while the agriculture, forestry, fisheries, and service sectors enjoyed stable growth (Fig 2).

Industry and construction experienced slow growth but showed signs of recovery over quarters

Industry and construction posted a 3.74% YoY increase for 2023. In particular, industry grappled with numerous challenges, achieving only a 3.02% YoY rise, the lowest YoY growth in the 2011-2023 period, with the key processing and manufacturing industry up 3.62% YoY. Notably, 4Q 2023 saw a growth rate of 7.35%, significantly higher than in 1H 2023. Construction grew by 7.06% YoY, contributing 0.51 percentage points to the overall growth.

The index of industrial production (IIP) for 2023 edged up 1.5% YoY. In 4Q 2023 alone, IIP showed a pronounced improvement, up 5.0% YoY vs. a 2.8% YoY rise in 3Q and the negative growth in 1Q and 2Q 2023. This indicates that industrial production is joining the recovery trend, primarily driven by export activities and the end-of-year peak season. Notably, there was a divergence in the performance of key industries, with electronics and auto continuing to grow, in contrast to a significant decline in furniture and clothing (Fig 6).

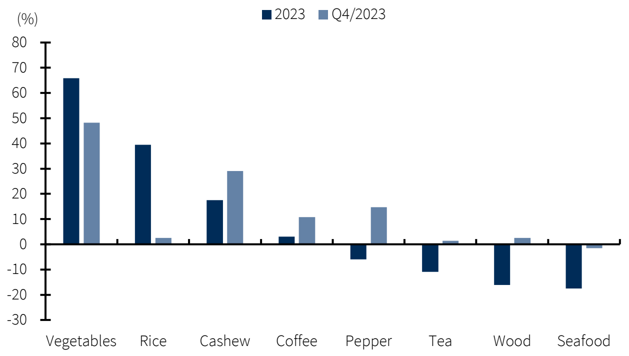
The service sector posted stable growth

The service sector grew by 6.82% YoY on domestic consumption stimulus policies, the economic reopening, and the post-COVID rebound tourism flow. Accordingly, wholesale and retail sales expanded by 8.82%; transportation and warehousing grew by 9.18%; financial services rose by 6.24%; accommodation and food services experienced a significant growth of 12.24%, benefiting from the surge in international visitor arrivals to Vietnam.

Agriculture, forestry, and fisheries continued growth momentum

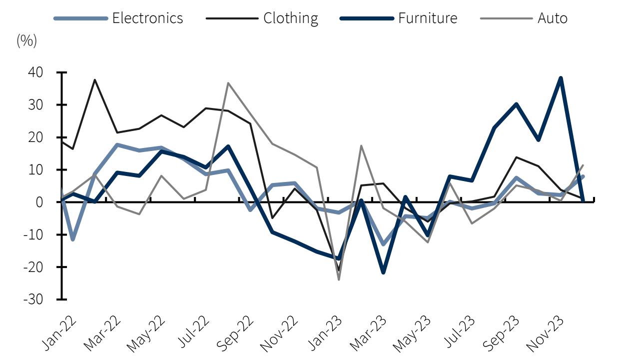
The agricultural, forestry, and fisheries sector remained steady growth at 3.88% YoY, both meeting domestic demand and ensuring food security while significantly contributing to export activities. The winter-spring rice production was satisfactory, and the yield volume of some major industrial crops increased YoY. Poultry farming developed steadily, and disease control was well-managed. Additionally, exports of agriculture and forestry items had positive growth in 4Q 2023, and fisheries narrowed its decline against previous quarters thanks to recovering demand among major economies (Fig 5).

Fig 5. Vietnam – Export growth of agriculture, forestry, and fisheries products (%)



Source: General Statistics Office, KB Securities Vietnam

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



Source: General Statistics Office, KB Securities Vietnam

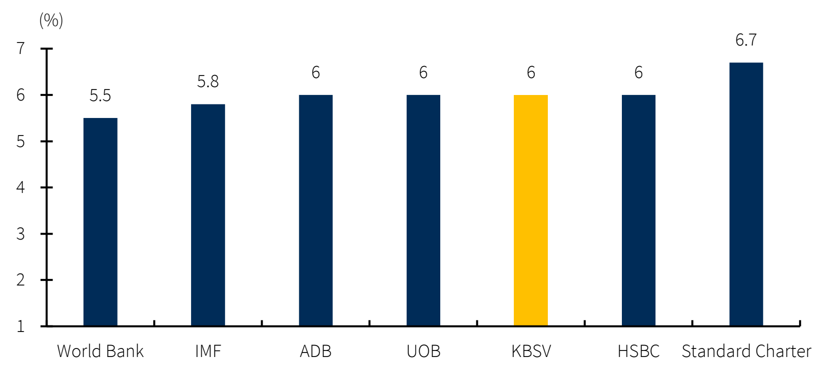
2. 2024F GDP growth

GDP growth is projected to touch 6% in 2024

We project that GDP growth in 2024 will reach 6%, driven by positive macroeconomic developments. Factors acting as stimulants to the country's economy include: (i) consistent growth drivers such as exports, industrial production, and domestic demand showing signs of recovery, the stable influx of FDI; (ii) robust public investment, the ongoing expansionary fiscal policy given ample space; (iii) an accommodative monetary policy; and (iv) the real estate market developing in a healthier and more transparent way.

Conversely, the most significant risks to our GDP growth forecast are: (i) geopolitical instability causing increases in commodity prices, oil prices, and transportation costs, exerting pressure on inflation and constraining central banks' dovish monetary policies; (ii) a severe downturn occurring in one of the major economies, especially the US and China, weighing on the global and Vietnamese economies; (iii) a collapse in the domestic corporate bond market due to a record-high maturity value of corporate bonds in 2024.

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



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

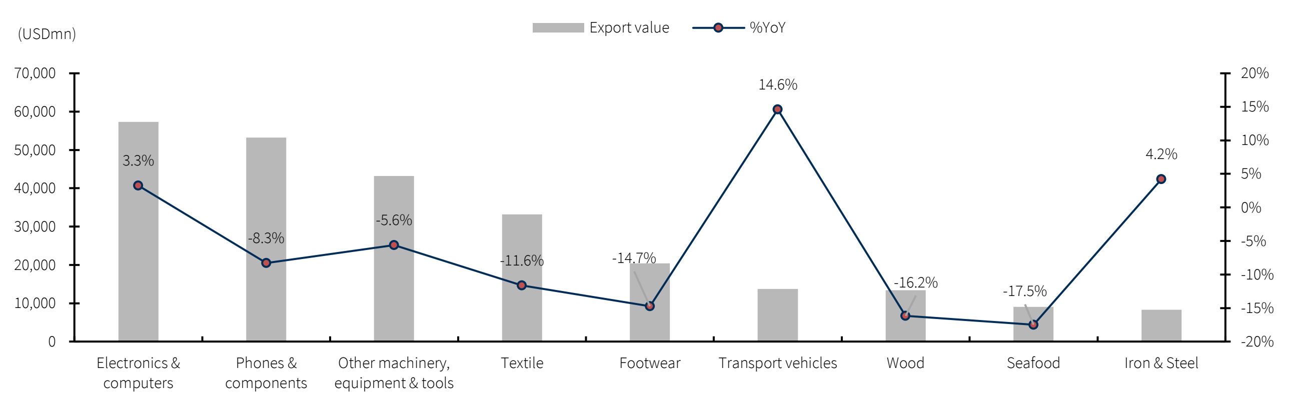
Export should rebound and experience a significant breakthrough in 2H 2024

Export activities are one of the crucial factors driving Vietnam's GDP growth. However, 2023 witnessed a decline in this sector, leading to a slowdown in domestic production, mainly due to weakened demand in major economies such as the US, the EU, and China. In particular, the total export turnover in 2023 is about USD355.5 billion, down 4.4% YoY, which we attribute part of this to the high base level in 2022 after post-pandemic economic reopening among countries. Exports, on the other hand, are still following a recovery trend, with the pace of YoY decrease narrowed month by month, and export growth reversed course in 4Q 2023 (+8.8% YoY). In this context, electronic products, computers, and components constituted the largest share at USD 57 billion (up 3.3% YoY), while other key sectors experienced declines: phones and components (-8.3%), machinery and equipment (-5.6%), textiles (-11.6%), footwear (-14.7%), etc. Regarding export markets, the US contributed the most to total export turnover (27%), followed by China (16%) and the EU bloc (12%).

We maintain a cautious outlook on export activities in the first half of 2024 due to concerns about a lack of orders when demand in major economies has not fully recovered. Still, we anticipate a strong export surge in the second half due to: (i) brighter economic prospects in the two largest trading partners, the US and China, in 2H 2024 (please refer to our Strategy Report dated December 29, 2023); (ii) global trade improvement in 2024 (WTO expects 3.3% growth compared to 0.8% in 2023, IMF raises its forecast to 3.5%); (iii) export orders to the U.S. and EU expected to rise when these two markets restock, given inventories currently hitting bottom; (iv) other internal factors like Vietnam upgrading ties with the US, China, and Japan, or actively signing and leveraging existing free trade agreements (FTAs).

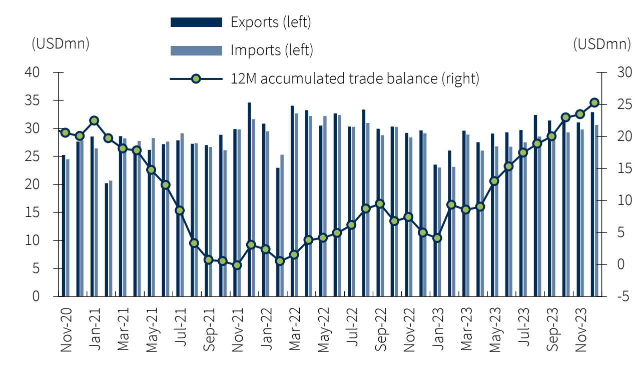
On the flip side, we acknowledge some potential risks that could negatively impact export activities, consisting of: (i) geopolitical tensions leading to surging transportation costs and higher input prices; (ii) changes in spending habits due to high interest rates across partner countries; and (iii) the roadmap for electricity price hikes affecting production costs, and unstable power supply.

Fig 8. Vietnam – Export value & export growth of key products (USDmn, % YoY)



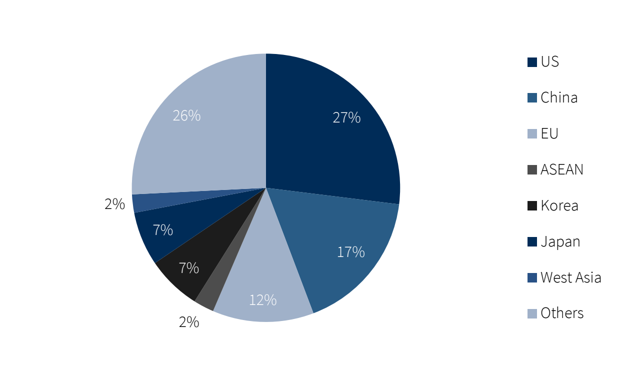
Source: General Statistics Office, KB Securities Vietnam

Fig 9. Vietnam – Exports, imports, trade balance (USDmn)



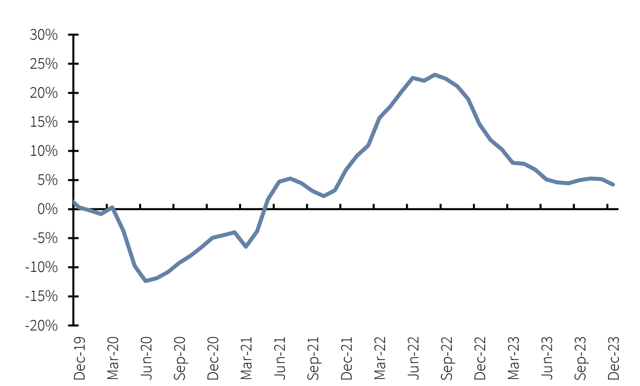
Source: General Statistics Office, KB Securities Vietnam

Fig 10. Vietnam – Exports to trading partners (%)



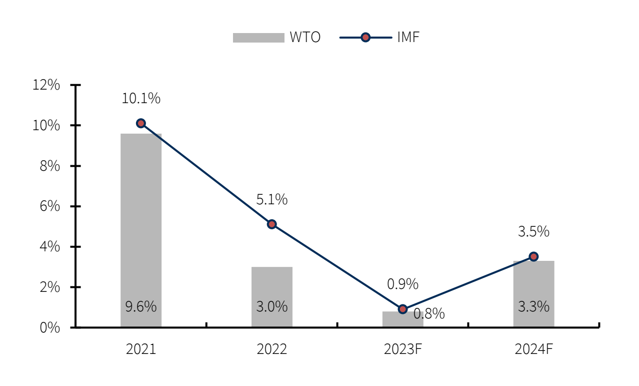
Source: Ministry of Industry & Trade, KB Securities Vietnam

Fig 11. US – Retail inventories (% YoY)



Source: Bloomberg, KB Securities Vietnam

Fig 12. Global – 2021A–2024F trade growth (% YoY)

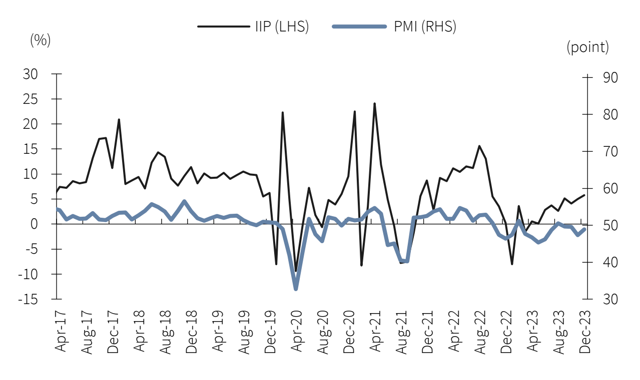


Source: WTO, IMF, KB Securities Vietnam

Industrial production should thrive in line with the export recovery

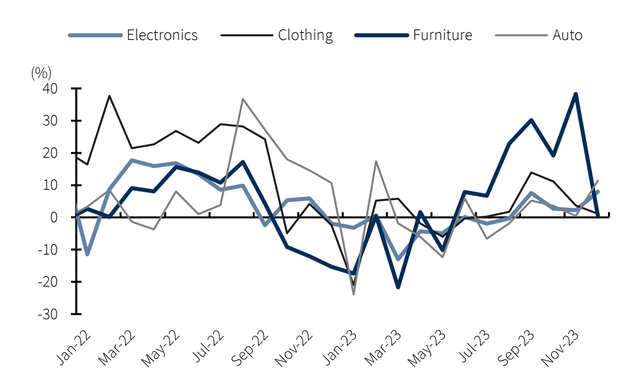
The IIP posted a modest increase of 1.5% YoY last year, with a notable surge of 5.0% in 4Q, contrary to the declining trend observed in 1Q and 2Q, reflecting increased demand in the year-end peak season. However, the purchasing managers' index (PMI), which mirrors the expectations of purchasing managers for the future business environment, has been persistently below 50 points for four straight months, indicating concerns about slumping orders after the peak season ends. We expect industrial production to rebound in line with the export recovery in 2H 2024, supported by expansionary monetary and fiscal policies.

Fig 13. Vietnam – IIP, PMI (% YoY, points)



Source: General Statistics Office, KB Securities Vietnam

Fig 14. Vietnam – Growth of some key industries (% YoY)



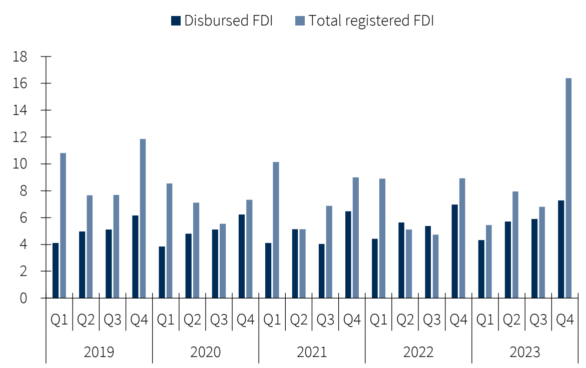
Source: General Statistics Office, KB Securities Vietnam

The FDI inflow is expected to experience steady growth in 2024

Vietnam's total registered FDI reached USD36.61 billion in 2023, marking a substantial 32.2% YoY increase. This growth was achieved through efforts to enhance cooperation and upgrade comprehensive strategic relationships with the US and Japan, and diplomatic visits promoting collaboration with major international partners such as China and South Korea. The disbursed FDI capital picked up 3.5% YoY to USD23.18 billion, the highest in the 2017-2023 period.

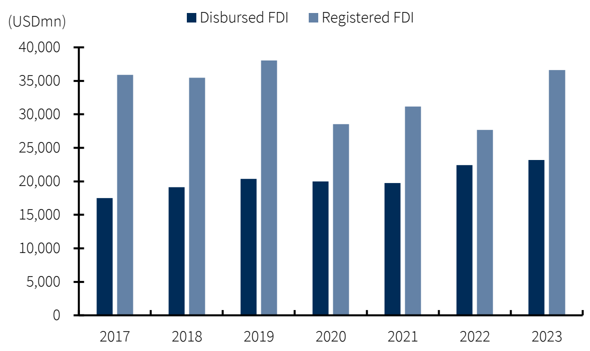
Looking ahead, we believe the influx of FDI into Vietnam will continue to grow steadily in 2024, helped by internal and external factors. Internally, Vietnam has been vigorously working on attracting foreign investment by offering attractive incentive packages, fostering a favorable business environment, and heavily investing in infrastructure construction and upgrades. Additionally, the country is leveraging its existing competitive advantages, including a stable economic and political environment, a favorable geographical position for global trade, a slew of signed FTAs, an abundant workforce, and competitive labor costs. Externally, (i) Vietnam will reap the benefits of the ongoing manufacturing shift from China to Vietnam. Moreover, the stability of the Vietnamese Dong (VND) in comparison with the Chinese Yuan (CNY) has positioned Vietnam more advantageously in building confidence in the business environment; (ii) the improvement of diplomatic relations with the US, Japan, and China is expected to further attract FDI from these countries to Vietnam; and (iii) according to EuroCham, the business confidence (BCI) of European enterprises operating in Vietnam has significantly improved, reaching 46.3 points in the fourth quarter of 2023 from 45.1 in the immediately preceding quarter.

Fig 15. Vietnam – Disbursed & registered FDI by quarter (USDmn)



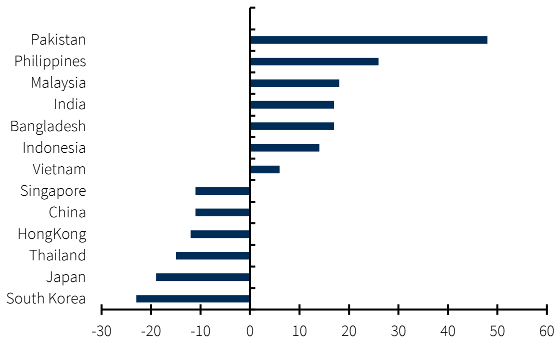
Source: Ministry of Planning & Investment, KB Securities Vietnam

Fig 16. Vietnam – Disbursed & registered FDI in 2017-2023 (USDmn)



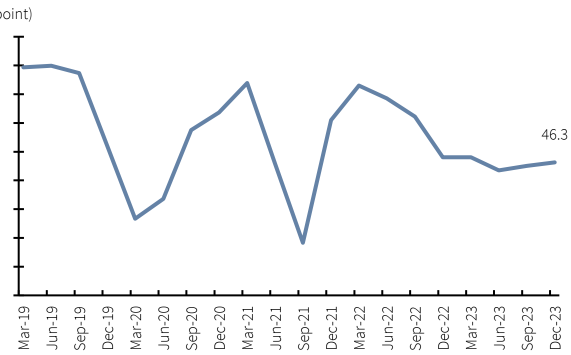
Source: Ministry of Planning & Investment, KB Securities Vietnam

Fig 17. Global – Changes in the working-age population in 2020–2040 (%)



Source: Natixia, United Nations, KB Securities Vietnam

Fig 18. Vietnam – BCI of European businesses operating in Vietnam (points)



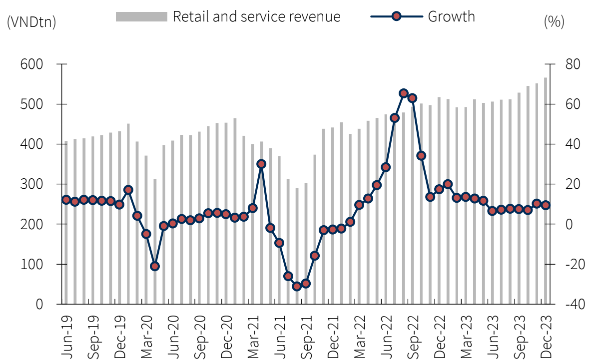
Source: EuroCharm, KB Securities Vietnam

Retail sales of goods and services should grow well on the expectations of recovering domestic demand

We expect the hospitality and tourism industries to remain vibrant. In 2023, Vietnam welcomed 12.6 million international visitors, a 3.4-fold rise from 2022, surpassing the initial target of 8 million set at the start of the year. However, it still fell short of the peak in 2019, the golden year of Vietnamese tourism with 18 million international visitors. In 2024, the tourism industry aims to welcome 17-18 million foreign visitors, approaching the pre-pandemic highs, with an expected revenue of VND840 trillion (~8% of GDP). The recovery of tourism and hospitality would lay a solid premise for the recovery of accommodation, food, and beverage services revenue.

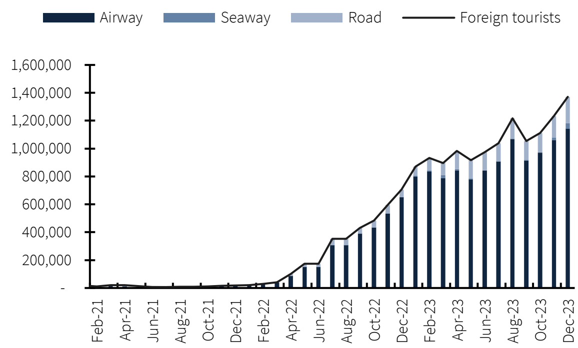
Additionally, we believe domestic demand will rebound due to: (i) an accommodative monetary policy and demand-stimulating measures, namely the extension of VAT reduction and basic salary increases, which are expected to have a more noticeable impact; (ii) positive economic prospects driven primarily by export activities, generating more employment and boosting income for the population, pushing consumer demand; and (iii) well-controlled inflation. Currently, total retail sales of goods and consumer services have been stable with month but remained lower than the pre-pandemic average of ~14%, implying ample room for growth.

Fig 19. Vietnam – Retail sales of goods & services and growth (VNDtn, %)



Source: General Statistics Office, KB Securities Vietnam

Fig 20. Vietnam – International tourist arrivals

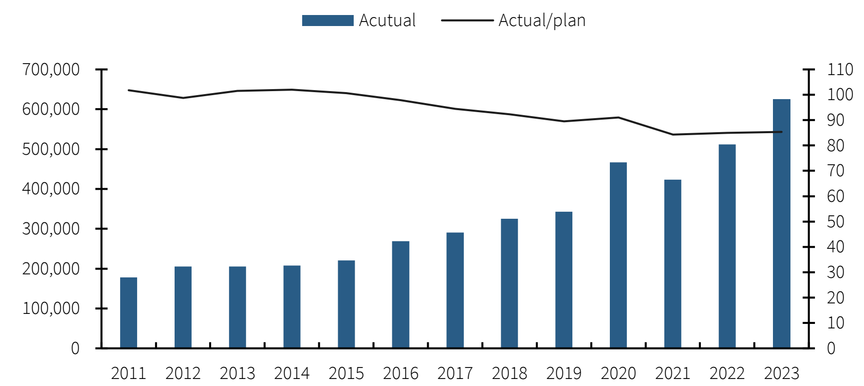


Source: General Statistics Office, KB Securities Vietnam

Public investment will be further bolstered

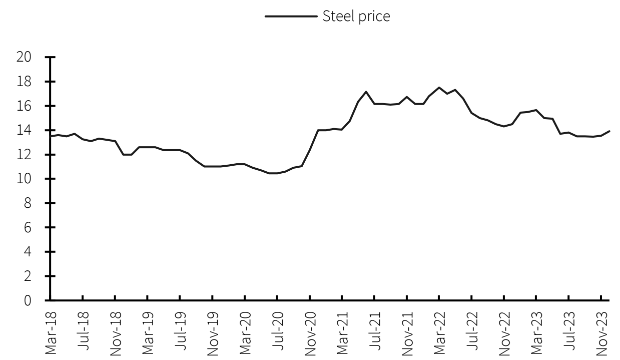
Public investment continues to play a crucial role in stimulating the economy and has a long-term ripple effect on other sectors. According to the GSO, the actual investment capital disbursed from the State budget in 2023 is estimated at VND625.3 trillion, equivalent to 85.3% of the government's plan and 85.2% of the same period a year earlier. However, it represents a 21.1% YoY increase as the target for 2023 is higher. Legal obstacles and site clearance issues remain the major challenges, causing slow disbursement of public investment in the first half of the year, with acceleration observed in the second half due to the efforts of management authorities. Overall, we assess that public investment activities achieved positive results in 2023, with double-digit growth, marking a significant step forward and serving as a solid foundation for medium-term plans to achieve stronger breakthroughs in the coming years.
In 2024, the government targets to disburse ~VND677 trillion or 32% of the State budget, focusing on key projects such as the North-South expressway, Long Thanh International Airport, Hanoi's Ring Road 4, and Ho Chi Minh City's Ring Road 3. We estimate that the total public investment capital allocated in 2024 will be around VND730 trillion thanks to the transfer of funds from 2023 to 2024, down 5% YoY from the high level of 2023. We expect the disbursement rate this year to reach a record level of around 90-95% of the plan, driven by: (i) legal bottlenecks gradually removed; (ii) 2024 being a critical time for many key projects to be sped up and get completed, while most new projects have completed preparation and administrative procedures and are ready for implementation; and (iii) commodity prices and input costs forecasted to remain stable.

Fig 21. Vietnam – Public investment disbursed from the State budget (VNDbn)



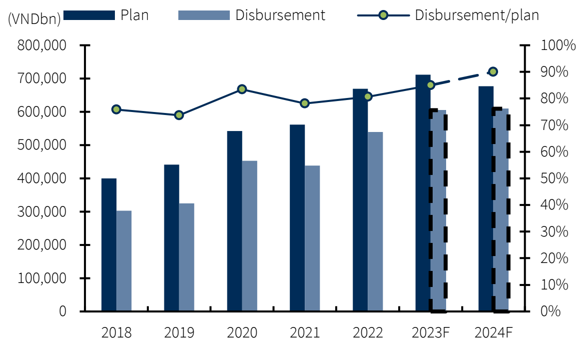
Source: General Statistics Office, KB Securities Vietnam

Fig 22. Vietnam – Construction steel prices ('000 VND/kg)



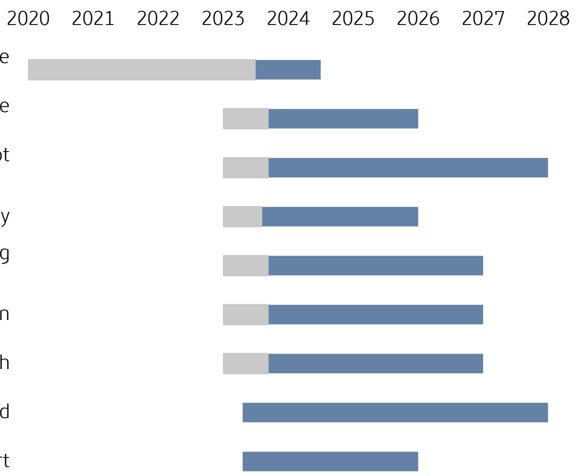
Source: FiinPro, KB Securities Vietnam

Fig 23. Vietnam – Public investment disbursement (VNDbn)



Source: Ministry of Finance, KB Securities Vietnam

Table 2. Vietnam – Progress of key public investment projects



	Investment value (VNDbn)	Disbursement progress
Eastern North-South Expressway phase 1	97,289	67%
North-South Eastern Expressway phase 2	135,178	70%
Khanh Hoa – Buon Ma Thuot Expressway	22,234	59%
Bien Hoa – Vung Tau Expressway	17,828	52%
Chau Doc – Can Tho – Soc Trang Expressway	44,814	84%
Belt 4 – Hanoi Capital Region	85,813	55%
Belt 3 – City. Ho Chi Minh	75,378	56%
Ho Chi Minh road	9,982	0%
Long Thanh International Airport	23,263	0%

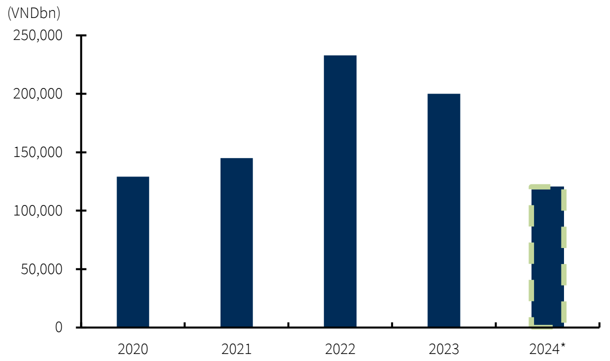
Source: Ministry of Finance, KB Securities Vietnam

An expansionary fiscal policy would support economic recovery and development

Amid economic slowdown due to waning demand both domestically and internationally, the government issued support packages totaling ~VND200 trillion in 2023, including basic salary increases; extension, exemption, and reduction of taxes, fees, land rents; exemption and reduction of personal income tax, value-added tax (VAT), import duty and taxes, environmental protection tax, and others to support businesses, citizens, and the economy. As a result, domestic demand has shown signs of recovery in the later months of the year, accelerating GDP growth in 4Q 2023.

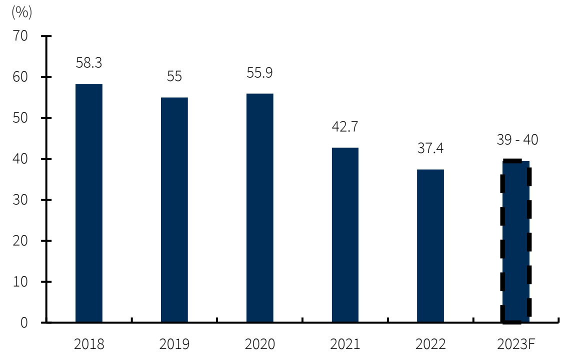
The government will likely maintain an expansionary fiscal policy to boost economic recovery and development. At the sixth plenary session of the 15th National Assembly, the State budget overspending for 2024 is set at VND399.4 trillion or 3.6% of GDP. The total value of fiscal support packages for 2023 is VND120.4 trillion: 2% VAT reduction extension, continuation of environmental protection tax on gasoline and oil, salary reform, expected to reduce state revenue by ~VND25,000 trillion, ~VND40,000 trillion, and ~VND55,400 trillion, respectively. We expect abundant fiscal space to encourage the introduction of additional support measures throughout the year. Moreover, policies implemented from the previous year will further permeate and have a clear impact in the near term, boosting domestic demand and business operations.

Fig 24. Vietnam – Total value of fiscal support packages (VNDbn)



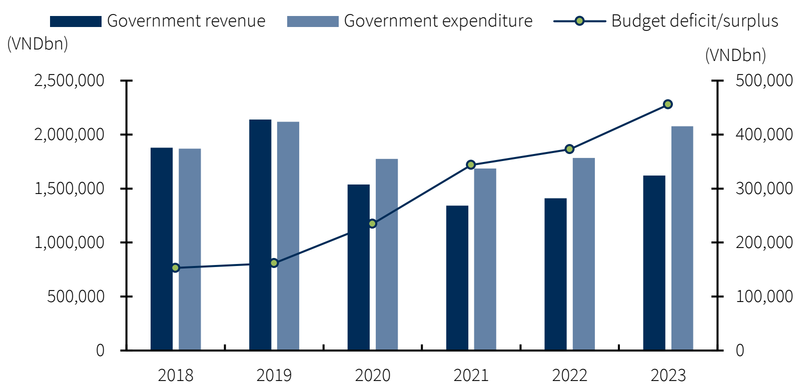
Source: KB Securities Vietnam
**Note: estimate based on published data*

Fig 25. Vietnam – Government debt/GDP (%)



Source: Ministry of Finance, KB Securities Vietnam

Fig 26. Vietnam – State budget revenue & expenditure (VNDbn)



Source: FiinPro, KB Securities Vietnam

A loose monetary policy will help to maintain low interest rates

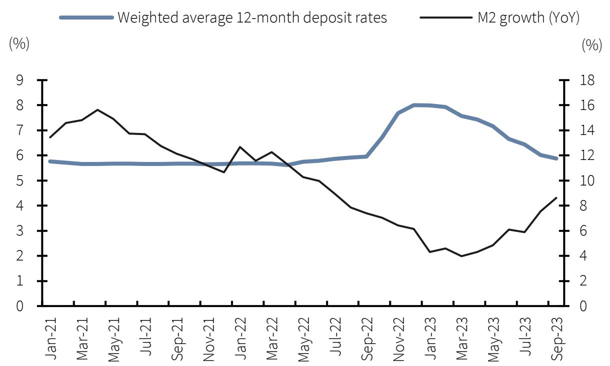
In case there are no black swan events, inflationary and exchange rate pressures will be moderate in 2024, given cooling inflation in most major economies and the Fed possibly doing a policy U-turn. This leads us to believe that the SBV will maintain the current loose monetary policy. Accordingly, deposit interest rates should remain low, while lending rates may decrease by an additional 0.75-1.00% versus the end of 2023. Despite little room for further interest rate reduction, maintaining low interest rates will strongly support the real estate market rebound, lower borrowing costs for businesses, and stimulate consumer demand. This, in turn, would promote economic growth.

The real estate market is showing signs of vitality

Real estate stands as a crucial pillar in the economy, not only significantly contributing to GDP growth but also having a ripple effect on many other sectors. Over the past year, the property market faced numerous challenges due to: (1) high interest rates, (2) investor mistrust following corporate bond default events, (3) legal complexities, and 4) tight credit control over real estate as the SBV reduced the short- and medium-term lending capital ratio or issued Circular 06.

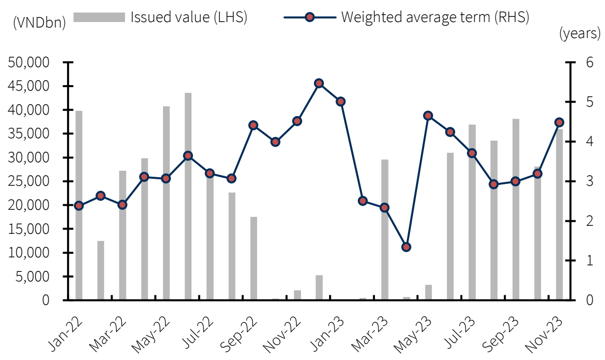
However, the negative impacts of the aforementioned elements will partially ease in 2024, supporting the gradual recovery of the housing market against 2023, even though a scenario of overheating is not unlikely. Specifically, interest rates have declined substantially, legal entanglements have been gradually resolved, the corporate bond market has become more transparent with higher issuing value, and plenty of supportive policies have been approved. Still, investor confidence may not quickly recover following the 2022 crash and banks' cautious lending practices amid rising non-performing loans (NPLs) and tightening use of short-term capital for long-term loans, impeding the real estate market from breaking out.

Fig 27. Vietnam – Average 12M deposit interest rate, M2 growth (%)



Source: Wichart, State Bank of Vietnam, KB Securities Vietnam

Fig 28. Vietnam – Corporate bond issuance value and term (VNDbn, years)



Source: Hanoi Stock Exchange, KB Securities Vietnam

Geopolitical risks would exert pressure on global inflation

The conflicts in the Middle East are exerting significant pressure on the global economy, as the Suez Canal serves as a crucial route responsible for transporting approximately 12% of global trade volume and 30% of container traffic. So far, the impact of the Middle East conflict on the global commodity market remains relatively limited. Overall, oil prices have advanced by about 6% since the conflict began. Prices for agricultural commodities, largely metals and others, have seen minimal changes. In a scenario where the conflict does not escalate further, we believe the short-term impacts will be modest due to weak consumption amid global demand contraction. In a more cautious scenario where conflicts intensify, there is a higher likelihood of an energy shock leading to a surge in prices for various commodities, triggering global inflation. This could hinder central banks from loosening monetary policies, thereby putting pressure on the USD/VND exchange rate alongside the imported inflation risk.

Recession occurring in one of the major economies would weigh on the global economy

A severe economic downturn may occur in one of the major economies, particularly the US and China, weighing on the global economy as well as the export prospects and FDI inflow into Vietnam. According to Bloomberg, the likelihood of the US experiencing a recession in the next 12 months is 50%, with inflation showing a tendency to cool down but not definitively, potentially delaying interest rate cuts for a longer period. China's economy in the first half of 2024 remains fraught with challenges, with no positive signs in the real estate market.

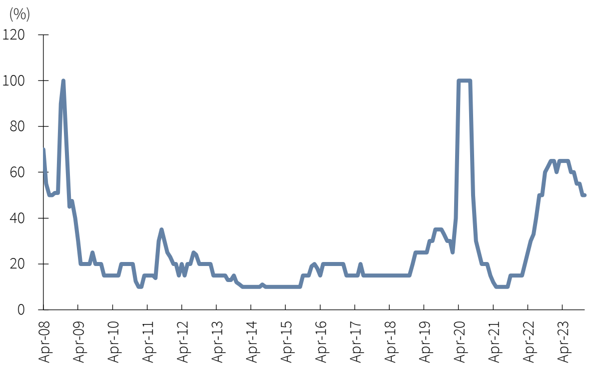
However, we assess that this risk is not excessively high, as there is a considerable possibility that the US will experience a "soft landing" or only undergo a mild recession. Additionally, the situation in China is expected to improve in the latter half of 2024, as per the base case scenario presented in our Strategy Report dated December 29, 2023.

Table 3. US – Scenarios for the US economy in 2024 by some financial institutions

Goldman Sachs	Soft landing
Bank of America	Soft landing
Barclays	Soft landing
Lazard	Soft landing
J.P. Morgan	Mild recession
Wells Fargo	Mild recession
Allianz	Recession

Source: KB Securities Vietnam

Fig 29. US – Recession probability according to Bloomberg survey

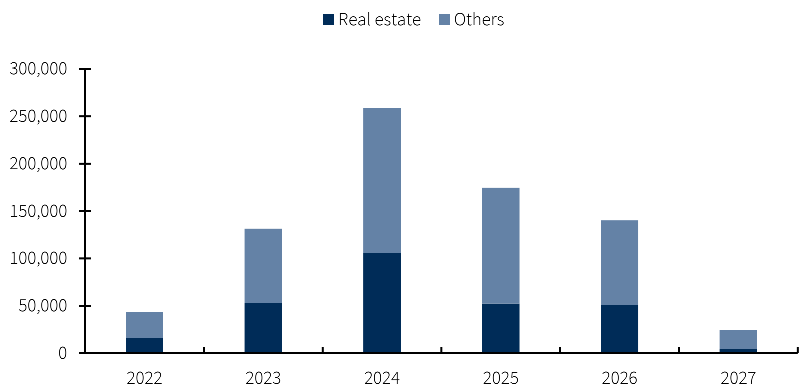


Source: Bloomberg, KB Securities Vietnam

The maturity value of corporate bonds is at a record high in 2024

The bond maturity pressure in 2024 is substantial, with a total value of, excluding repurchases, reaching a record high of VND258 trillion, doubling the amount in 2023. This includes approximately VND123.5 trillion in real estate corporate bonds. These figures do not account for the maturity value of bond lots whose terms had been previously extended, so the actual maturity value is likely higher. Therefore, we cannot rule out the possibility of a default risk leading to a banking system collapse, similar to the criminal case associated with disgraced property developer Van Thinh Phat and lender Saigon Joint Stock Commercial Bank (SCB). This risk is particularly relevant for many real estate developers, as the sector is forecasted to face challenges in achieving a strong breakthrough in 2024.

Fig 30. Vietnam – Maturity value of corporate bonds (VNDbn)



Source: Hanoi Stock Exchange, KB Securities Vietnam

III. Inflation

1. 2023 inflation

Inflation is well controlled below the Government's limit

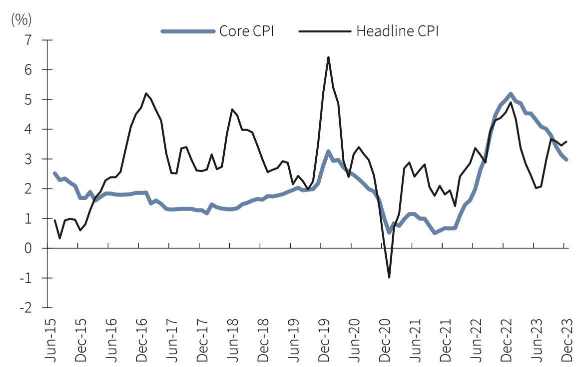
The average CPI gained 3.25% YoY in 2023. CPI increased the highest at the beginning of the year and tended to gradually decrease, following the downtrend of world oil prices. It then slightly rose in the last months of the year due to the increase in the prices of state-managed products, including electricity, education, and health services.
Average core CPI in 2023 climbed 4.16% YoY, which is higher than the increase in average headline CPI because the decrease in average domestic oil and gas price was excluded from the core CPI calculation list.

Prices of construction materials, house rent and education have the strongest influence on CPI

The main CPI drivers in 2023 include:

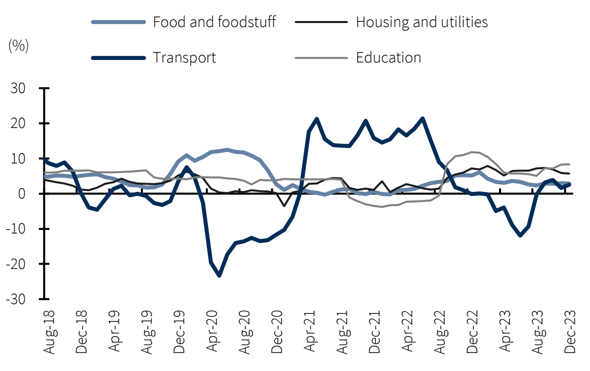
1) Tuition fees rose 7.44% YoY due to some localities increasing tuition for the 2023-2024 school year according to the roadmap of Decree No. 81/2021/ND-CP, causing the headline CPI to increase by 0.46ppts.
2) Prices of housing and construction materials gained 6.58% YoY due to increased prices of cement and sand and higher rents.
3) Domestic pump prices in 2023 dropped 11.02% YoY according to world price fluctuations, making the headline CPI fall 0.4ppts. Kerosene prices also lost 10.02%.

Fig 31. Vietnam – Headline & core CPI (% YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 32. Vietnam – Major groups of consumer expenditures (% YoY)



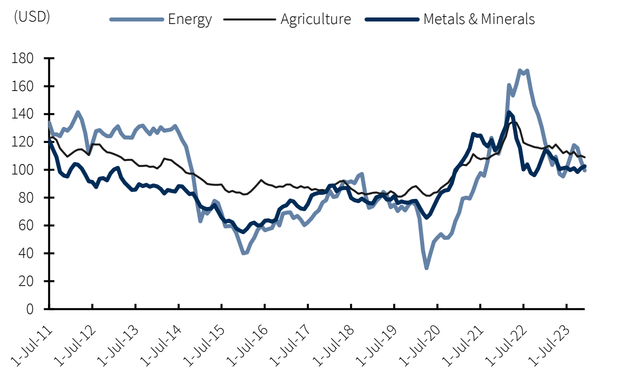
Source: General Statistics Office, KB Securities Vietnam

2. 2024F inflation

Inflation in 2024 is forecast to increase by 3.5% YoY

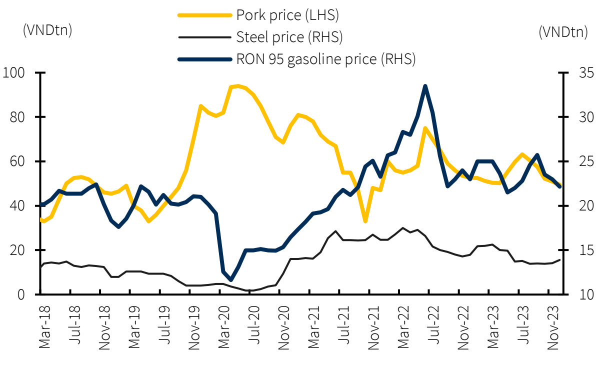
Vietnam's inflation in 2024 should be kept below the Government's limit given stable world commodity prices and domestic demand. The average CPI in 2024 is forecast to increase by 3.5% YoY, with an average monthly increase of 0.25% MoM. Supportive factors are: (i) declining Brent oil prices; (ii) modest gains in pork prices; (iii) stable construction material prices; (iv) not too much pressure from monetary policy; and (v) import inflation not being a concern.
On the contrary, risks causing inflation to increase are: (i) domestic rice prices increasing in line with export rice prices; (ii) higher prices of some items managed by the state according to the roadmap; (iii) salary reform; and (iv) geopolitical risks.

Fig 33. Global – Commodity prices (USD)



Source: World Bank, KB Securities Vietnam

Fig 34. Vietnam – Commodity prices (VND thousand)

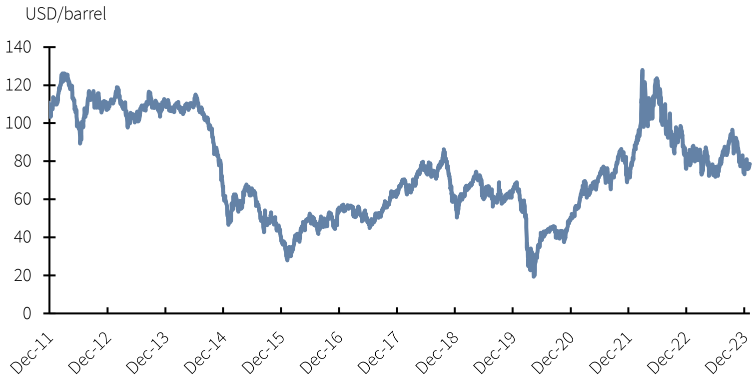


Source: KB Securities Vietnam

 # Brent oil price is forecast to continue to decrease around 78 USD/barrel

Brent oil prices not only directly affect the CPI of the transportation group but also have spillover effects on the prices of other goods. In 2023, the average Brent oil price dropped to USD88/barrel (from USD99/barrel in 2022), which is the main factor helping Vietnam's inflation cool down and be well controlled. In 2024, we forecast that oil prices will continue to decrease, averaging USD78/barrel for the whole year. On the demand side, OPEC, EIA and IEA expect crude oil consumption in 2024 to slow down due to the weakness of industrial production in the OECD. The Asian region has a clearer economic recovery prospect, which, when combined with the expectation of the Fed's easing monetary policy in 2H24, will cause crude oil demand to rebound at the end of the year. However, we think the pressure on crude oil prices is insignificant. In terms of supply, we do not have high expectations that OPEC+ will continue to cut production deeper. However, overall crude oil supply will still be tight because (1) output growth from non-OPEC+ countries will likely be limited due to rig shortages, and (2) bottlenecks in the Black Sea (Russia-Ukraine war), the Panama Canal and the Red Sea area (Suez Canal) could worsen, causing the global crude oil supply to decrease even further. In summary, we believe that tight supply will be offset by a decline in consumption demand, causing oil prices to decrease slightly and remain low in 2024 in a scenario that there are no big geopolitical issues.

Fig 35. Global – Brent oil price (USD/barrel)



Source: Bloomberg, KB Securities Vietnam

Table 4. Global – 2024F crude oil consumption (million barrels/day)

	Forecasts published in December 2023	
Organization	2023F	2024F
OPEC	2.5	2.2
EIA	1.8	1.3
IEA	2.3	1.1
Median	2.3	1.3

	Forecasts published in July 2023	
Organization	2023F	2024F
OPEC	2.4	2.2
EIA	1.8	1.6
IEA	2.2	1.1
Median	2.2	1.6

Source: OPEC, EIA, IEA, KB Securities Vietnam

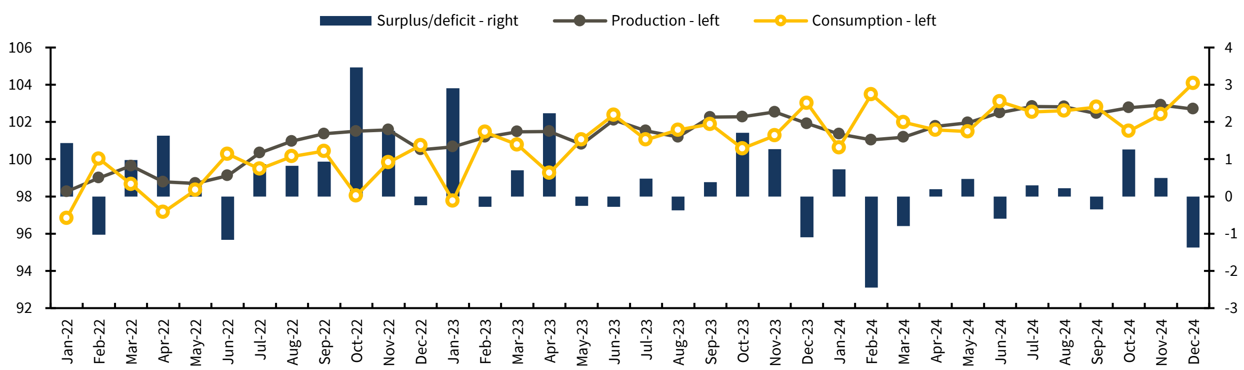
Table 5. Vietnam – Global – 2024F Brent oil price (USD/barrel)

Organization	Date of forecast *	Forecast price for 20244
EIA	07/12/2023	83
JPMorgan Chase & Co	14/12/2023	83
RBC	13/12/2023	83
Fitch Solutions	13/12/2023	85
Macquarie Group Ltd	07/12/2023	77
Barclays PLC	04/12/2023	90
Citigroup Inc	30/11/2023	74
Deutsche Bank AG	30/11/2023	89
Median		83
KBSV's forecast		78

Source: EIA, Bloomberg, KB Securities Vietnam

** Note: Only included forecasts made after the latest OPEC+ meeting at that time*

Fig 36. Global – 2024F crude oil supply & demand (million barrels/day)



Source: EIA, KB Securities Vietnam

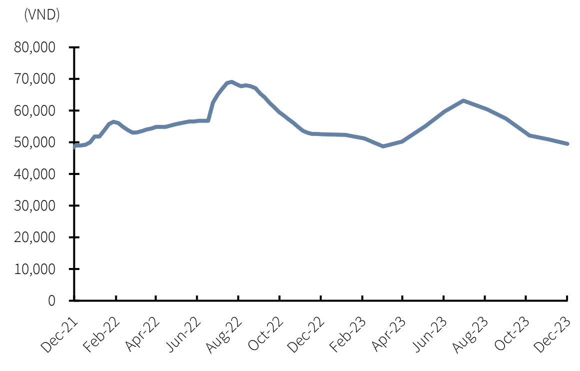
The average hog price in 2024 may rise 5% to VND57,000/kg

Domestic live-weight hog prices have been on a downward trend since late 2023 due to African swine fever, causing many small livestock farmers to sell off their herds and supply to surge, while consumer demand was still weak. In 2024, we expect the average hog price to inch up to VND57,000 (+5% YoY) thanks to the recovery of domestic consumer demand. In addition, tourism activities are expected to be promoted and approach pre-Covid levels, thereby boosting demand for restaurants and eateries. Nevertheless, the increase will not be too strong thanks to stable domestic supply. According to the US Department of Agriculture (USDA), the nationwide pork output in 2024 is forecast to rise 5% YoY to 3.7 million tons.

Export rice prices can reach USD700/ton, but the pressure on domestic prices is not high

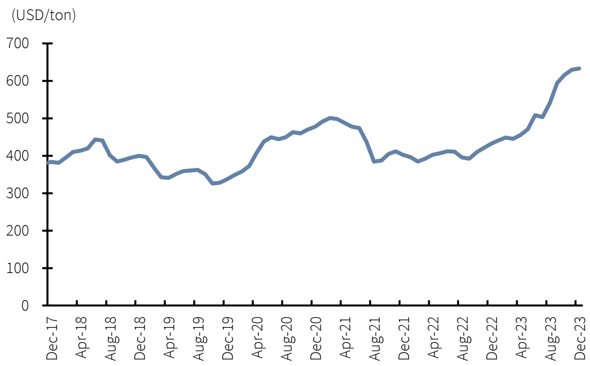
In 2023, domestic rice prices climbed, following the world rice prices in the context of many fluctuations in world supply and demand. At the end of December, Vietnam's export price with 5% broken reached nearly USD633/ton, up 46% over the same period in 2022. We think that export rice prices will continue to gain and may reach USD700/ton in 2024 due to: (i) India and Russia maintaining the ban on rice exports until 2024; (ii) increasing demand from key export markets such as the Philippines, China and Indonesia; and (iii) unusual weather factors and the impacts of El Nino putting pressure on supply. Local rice prices will accordingly increase but within a more stable range thanks to abundant supply with high productivity and the Government’s priority to food security.

Fig 37. Vietnam – Average monthly pork price in 2023 (VND/kg)



Source: Animal Husbandry Association of Vietnam, KB Securities Vietnam

Fig 38. Vietnam – 5% broken rice price (USD/ton)

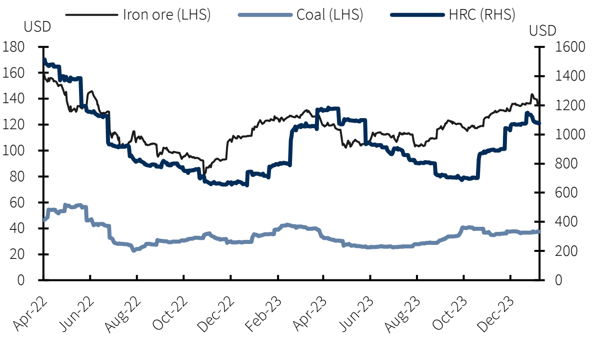


Source: Bloomberg, KB Securities Vietnam

Construction material prices should remain low

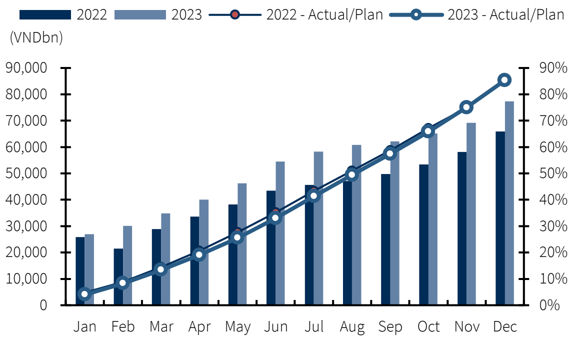
We expect construction material prices to remain stable in the near future, based on: (i) the costs of steel production input materials are still down compared to the peak (Figure 39); and (ii) consumption demand is weak due to the gloomy real estate market, and public investment is often slow at the beginning of the year. However, construction material prices may bottom out and go up from 3Q24 as the recovery of the residential real estate market and a sharp increase in FDI inflows will boost the industrial construction and public investment at the end of the year.

Fig 39. Global – Input prices for steel production (USD/ton)



Source: Bloomberg, KB Securities Vietnam

Fig 40. Vietnam – Realized investment capital from state budget (VNDbn)

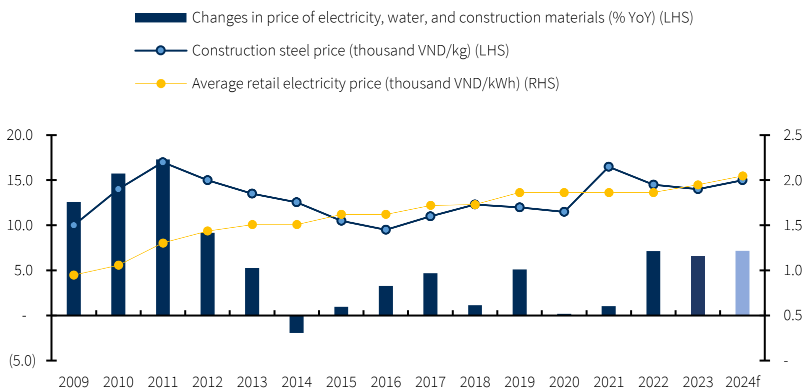


Source: General Statistics Office, KB Securities Vietnam

Electricity prices may be higher and put more pressure on CPI

Increasing electricity prices not only directly put pressure on inflation but also affect electricity-intensive manufacturing industries such as steel, cement, and paper production. According to estimates by the General Statistics Office, a 10% increase in electricity prices will make CPI gain 0.33ppts. In 2023, the retail electricity prices were adjusted twice (up 3% from May 4 and 4.5% from November 9), so the average retail electricity price for the whole year 2023 is estimated at VND1,950/kWh, rising VND68.22/kWh compared to 2022. We believe that the increase in electricity prices will not have a major impact on the CPI in 2023, but the impact will be more obvious in 2024. In addition, electricity prices are likely to climb higher due to the financial difficulties of EVN, the increased demand due to extreme weather, the impact of El Nino, and the recovery of the industrial production sector.

Fig 41. Vietnam – Electricity & construction steel prices and CPI of electricity, water, and construction materials (VND thousand/kg, %)



Source: General Statistics Office, Fiinpro, KB Securities Vietnam

Healthcare service prices and tuition fees will increase according to the roadmap

Prices for other goods and services managed by the State will continue to increase according to the roadmap. Tuition fees in 2023-2024 are adjusted according to Decree No. 97. Preschool and general education tuition fees remain unchanged; while university and vocational education fee changes are delayed by one year compared to Decree 81 (ie still increased compared to the actual tuition of 2022-2023 because the previous three school years tuition was kept the same without increasing according to Decree 81). We believe that tuition fees for 2024-2025 will still follow this roadmap, so the increase will be lower. Accordingly, the CPI of the education group is projected to see a smaller increase in 2024, growing 6% compared to the high base of 2023. In addition, after medical service fees are adjusted according to Circular 22, the Ministry of Health will continue to propose increasing the average price of medical examination and treatment services by 5% from July 2024.

Table 6. Vietnam – Ceiling tuition for public higher education institutions according to Decree 81

Vocational education & training	2022-2023	2023-2024	2024-2025	2025-2026
Social sciences, humanities, arts, education and training, journalism, information and business	1,248	1,328	1,360	1,600
Science, law, and mathematics	1,326	1,411	1,445	1,700
Engineering and information technology	1,870	1,992	2,040	2,400
Production, processing and construction	1,794	1,909	1,955	2,300
Agriculture, forestry, fishery and veterinary medicine	1,287	1,370	1,400	1,650
Healthcare	2,184	2,324	2,380	2,800
Services, tourism and environment	1,560	1,660	1,700	2,000
Security and defense	1,716	1,820	1,870	2,200

Source: The Government of Vietnam, KB Securities Vietnam

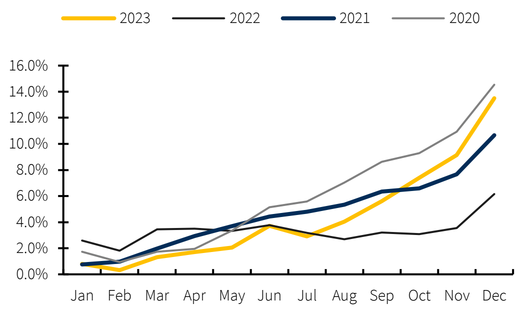
Salary reform will make CPI increase

In addition, implementing salary reform for the public sector and increasing the private sector minimum wage by 6% from mid-2024 will lead to increased prices of goods and services consumed by households. According to calculations by the Ministry of Planning and Investment, increasing wages according to the salary reform roadmap will make CPI rise 0.21%/year and GDP up by 0.73%/year.

Inflationary pressure from monetary policy is not yet a concern

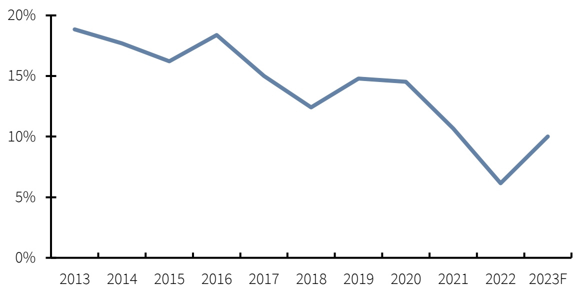
We do not find the inflationary pressure from monetary policy worrying. M2 money supply growth reached 6.0% YTD as of October 2023 and was estimated to reach 10% for the whole year 2023, which is quite low compared to previous years (Figure 43). In 2024, we assess that ability to absorb capital of the economy is still weak because domestic and international consumer demand has not been able to make a strong breakthrough, while bad debt risks of the banking system still exist, and the real estate market slowly recovers. It is forecast that M2 money supply growth cannot return to the peak of the previous period and has a strong impact on the CPI of Vietnam.

Fig 42. Vietnam – Credit & deposit growth (%)



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 43. Vietnam – M2 growth (% YoY)

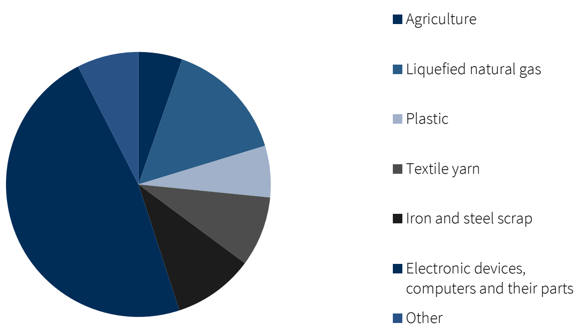


Source: State Bank of Vietnam, KB Securities Vietnam

Prices of imported goods go sideways

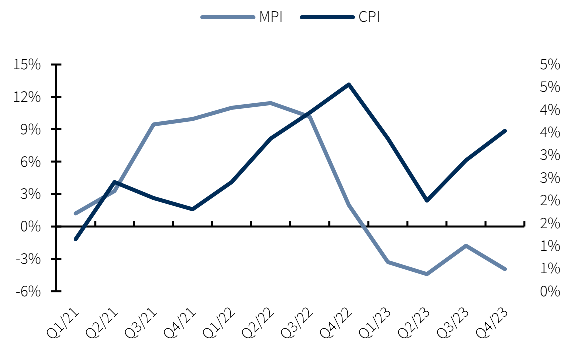
The import price index of key commodity groups including agricultural crops, food, fuel and raw materials for processing and manufacturing is still moving sideways in the low area (Figure 46) like the world commodity prices. The World Bank said commodity prices should decrease by 4.1% in 2024, so Vietnam's import inflation pressure in the coming time will not be a concern. However, we do not rule out the possibility of escalating political conflicts causing an energy shock and negatively affecting global and Vietnam CPI.

Fig 44. Vietnam – Import breakdown



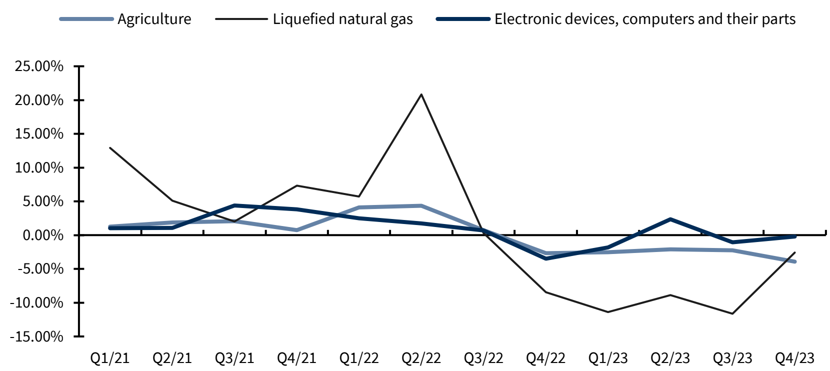
Source: Bloomberg, KB Securities Vietnam

Fig 45. Vietnam – Import price index (MPI) and CPI (% YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 46. Vietnam – Import price index of commodity groups (% QoQ)



Source: General Statistics Office, KB Securities Vietnam

Table 7. Vietnam – 2024F average CPI (%)

No.	Groups	Weights (%)	+/– (% YoY)	Contribution to CPI (%)
1	Food and foodstuff			
	Grains	3.67	6	0.2
	Foodstuff	21.28	3	0.5
	Outdoor eating	8.61	4	0.3
2	Beverages and tobacco	2.73	3	0.1
3	Clothing and footwear	5.7	2	0.1
4	Housing, water, electricity, gas and other fuels	18.82	7	1.4
5	Furniture, household equipment and maintenance	6.74	2	0.2
6	Health	5.39	3	0.2
7	Transport	9.67	-1	(0.1)
8	Communication	3.14	0	0.0
9	Education	6.17	6	0.4
10	Entertainment	4.55	3	0.1
11	Miscellaneous goods and services	3.53	5	0.2
	Total			3.5

Source: KB Securities Vietnam

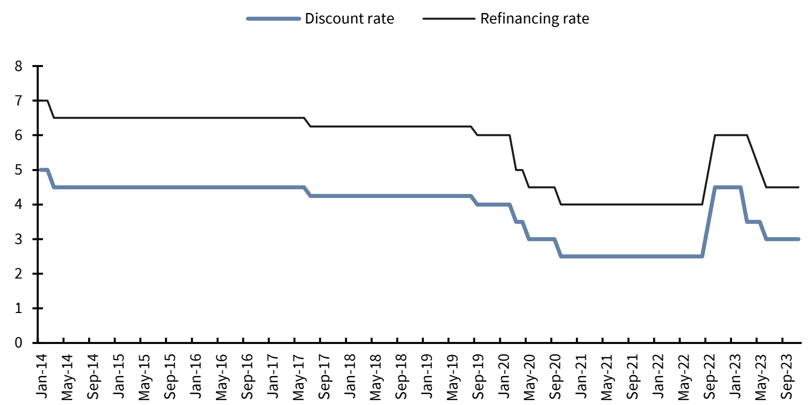
III. Interest rates

1. 2023 interest rates

The SBV lowered policy rates four times

After the liquidity risk caused by the SCB event subsided, the SBV reduced policy rates four times (from March to June) with a decrease of 0.5% – 2.0% as credit and GDP growth are worse than expected. The lowering of policy rates, in addition to supporting the trade balance and surplus FDI capital flows, brings a large source of foreign currency. This helped the SBV to supplement foreign exchange reserves and cash in the banking system, thereby supporting the downtrend of interest rates throughout 2023.

Fig 47. Vietnam – Refinancing and rediscount interest rates (%)



Source: Wichart, KB Securities Vietnam

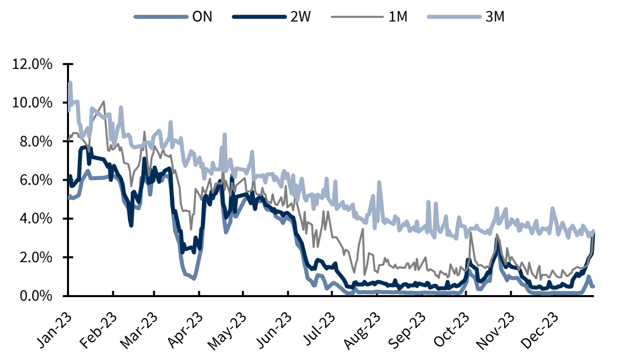
Abundant cash and low interbank interest rates

In 1H23, the SBV used OMOs and bill channels to support liquidity and bought more than USD6 billion in foreign exchange to help inject a large amount of VND into the market.

This was followed by a relatively quiet period of the open market when liquidity was abundant and credit demand was weak. However, the pressure from rising exchange rates due to the persistent USD-VND interest rate gap forced the SBV to intervene by issuing bills at the end of September. During this period, the market saw a record of VND255 trillion withdrawn from the system with a 28-day term and an average interest rate of 1.04%, causing the overnight interbank interest rate to increase to 2% in a short time. However, the net withdrawal and more suitable macroeconomic context (lower DXY and positive FX supply) helped the exchange rate cool down. After that, the SBV stopped net withdrawing from November 8, and interbank interest rates returned to the low zone until the end of the year. However, the end of the year is always a hot period of credit growth, so the SBV injected a small amount of cash (VND4,500 trillion) through OMOs for a seven-day term and an interest rate of 4%.

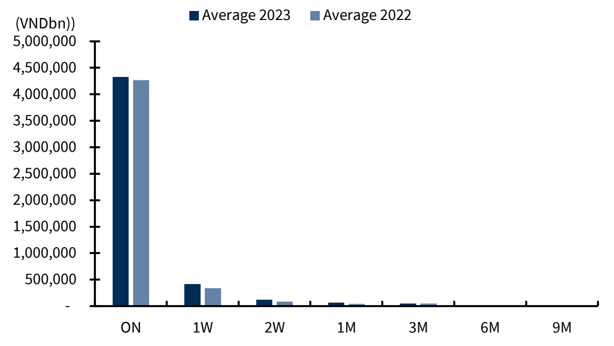
By the end of 2023, interbank interest rates for terms ON, 2W, 1M and 3M reached 0.51%, 3.27%, 3.42% and 3.33% respectively (-455 bps, -277 bps, -466 bps and -626 bps YTD).

Fig 48. Vietnam – Interbank interest rates (%)



Source: FiinPro, KB Securities Vietnam

Fig 49. Vietnam – Average monthly interbank trading value for all terms (VNDbn)



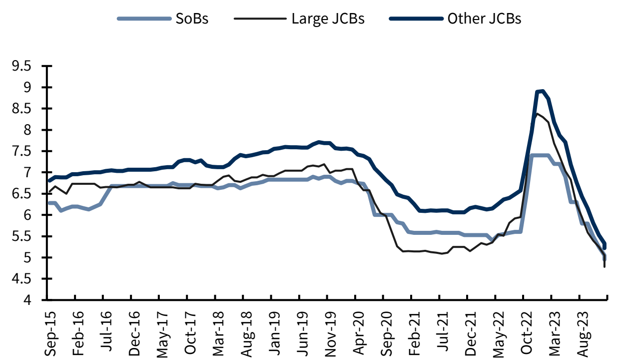
Source: FiinPro, KB Securities Vietnam

Deposit interest rates peaked and fell to historic lows

For the customer channel, banks actively lowered interest rates to be in line with the SBV's direction and the economy context (slow economic growth and low credit growth in 10M23). Credit growth only reached 7.41% as of the end of October and reached 13.5% for the whole year 2023. As of reporting time, 12M deposit interest rates of state-owned commercial banks and large joint stock commercial banks (ACB, MBB, VPB, and TCB) and other commercial banks reached 4.93%, 4.75% and 5.08% respectively (an average decrease of 2.5% – 3.8% YTD). According to the Deputy Governor of the SBV Dao Minh Tu, many experts assess that deposit interest rates are reaching 20-year lows, and commercial banks say interest rates cannot be lower.

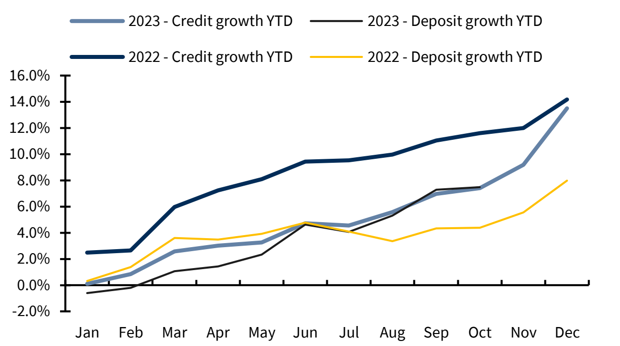
Meanwhile, the policy lag to lending interest rates is bigger compared to deposit interest rates due to the difference in terms, so lending interest rates only decreased by more than 2.0% in 2023. Besides, banks are also considering and being more cautious about bad debt risk, which is also a reason for the slow decrease in lending interest rates.

Fig 50. Vietnam – Average 12M deposit rates at banks (%)



Source: Bloomberg, KB Securities Vietnam

Fig 51. Vietnam – Credit & deposit growth (%)



Source: Bloomberg, KB Securities Vietnam

2. 2024F interest rates

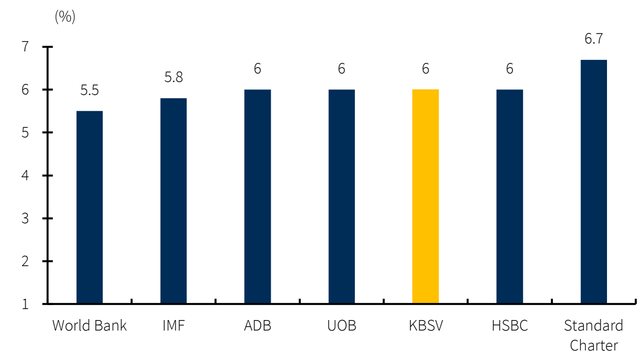
Deposit interest rates are expected to be flat at low level while loan interest rates continue to decrease

As deposit interest rates have reached record lows, we forecast that they will continue to move sideways at a low range from 4.85% to 5.35% for most of 2024. However, the average lending interest rate is likely to decrease further by 0.75%-1.0%, based on the following assumption:

Deposit interest rate drivers:

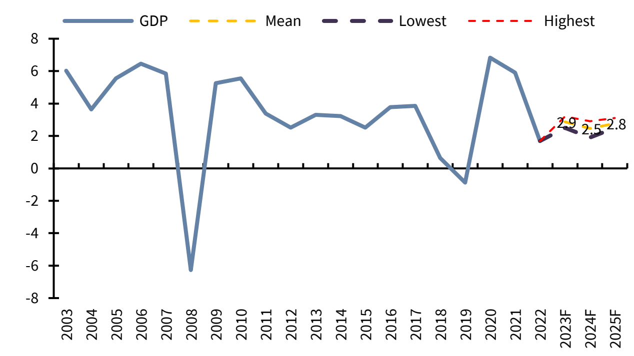
- Credit demand will likely recover, but there will hardly be any sudden changes as the outstanding difficulties from 2023 cannot be completely overcome in 2024. Vietnam's economy is forecast to only grow around 6% with the real estate sector, an area with a high contribution to credit growth, unable to recover strongly. Accordingly, the pressure on lending interest rates from the demand side will not be great. We expect that credit growth to be around 13.5% - 14.5%, lower than the target of 15% for 2024 assigned by the SBV.
- The operating policy of the SBV is still easing when inflationary pressure and exchange rates cool down. With inflation tending to decelerate in most major economies (the US and China, the two giant economies, are expected to slow down), we believe that global inflation will continue its downtrend this year, supporting Vietnam's stable inflation trend. However, geopolitical risks in the Middle East and other regions still show no signs of decreasing. On the one hand, unpredictable factors can push global sentiment to become more pessimistic and create a supply shock that causes cost-push inflationary pressure, thereby affecting interest rates.
- Regarding exchange rates, the Fed's reversal to lower interest rates in 2024, as we have a detailed assessment later in the report, will help alleviate exchange rate pressure in 2024.

Fig 52. Vietnam – 2024F GDP growth (%)



Source: Bloomberg, KB Securities Vietnam

Fig 53. Global – 2024F GDP growth (%)

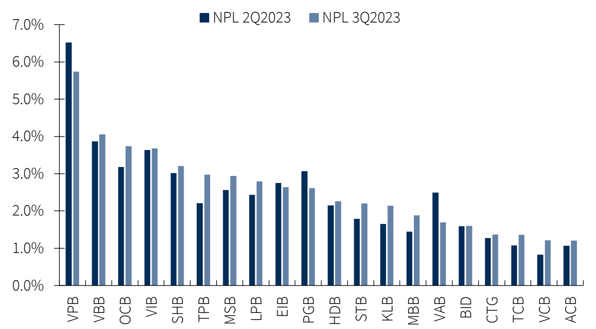


Source: Bloomberg, KB Securities Vietnam

Lending interest rate drivers:

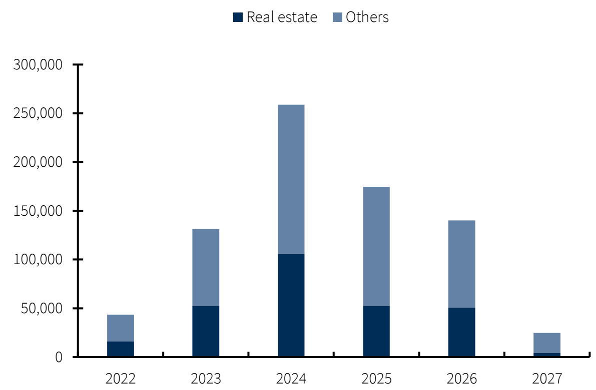
- The term difference and the lag of the impact of interest rate reduction will continue to take effect, helping lending interest rates continue to decrease. Most of the bank's high-cost deposits will mature in early 2024, helping to reduce capital costs and lending interest rates.
- Banks are cautious about bad debts. The difficult economic situation in 2023 has caused NPL ratio of the entire system to increase in four straight quarters, reaching 2.2% (+6.9% QoQ). It is forecasted that the NPL in 2024 will be under pressure of (1) Circular 02 expiring and (2) banks' reserve buffers shrinking (according to the *Sector report – Vietnam banks*).
- The bond channel has not yet recovered. Banks should still be a long-term capital mobilization channel for businesses when the bond market has not yet recovered, while the pressure on corporate bond maturity in 2024 is at a record high of nearly VND258 trillion. Therefore, lending interest rates are unlikely to see a deep fall.

Fig 54. Vietnam – NPL ratios at banks (%)



Source: KB Securities Vietnam

Fig 55. Vietnam – Corporate bond maturity value (VNDbn)



Source: KB Securities Vietnam

V. USD/VND exchange rate

1. 2023 USD/VND exchange rate

Interbank exchange rates decreased in 6M23 but slightly increased in the last months of the year

Interbank USD/VND exchange rates in the first six months of 2023 cooled down due to the weakness of the DXY and abundant foreign currency supply from trade surplus, FDI and remittances. However, the pressure from the USD – VND interest rate gap, combined with the increase in DXY since July, has caused the interbank exchange rates to increase again and even quickly surpass the previous peak of VND23,800 in February. The SBV then had to intervene by issuing treasury bills to absorb the excess amount of Vietnam dong from the system by the end of September. This, when combined with a favorable context, helped the interbank exchange rates adjust from VND24,600/USD to VND24,200/USD. In the remaining period of the year, the interbank exchange rates fluctuated in the range of VND24,200 – VND24,400 and closed at VND24,270 (+2.7% YTD).

The unofficial exchange rate fluctuated negatively at the end of the year due to pressure from the difference in gold prices

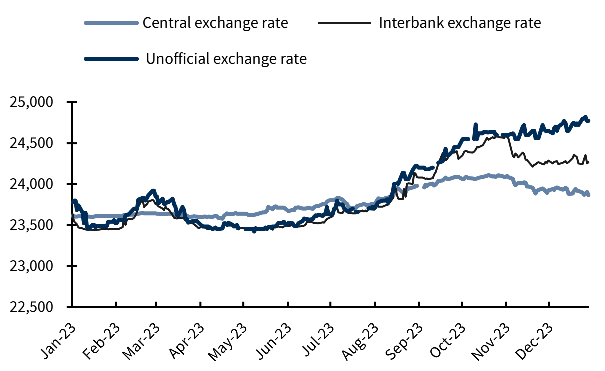
In the first nine months of 2023, the unofficial exchange rates saw similar developments with the interbank exchange rates. The gap between the two currencies significantly fell when the domestic – international gold price difference narrowed to around VND10 million/tael, causing the demand for smuggled gold to become weaker. However, world gold prices increased at the end of the year, creating a large difference between domestic and world gold prices (at times up to VND20 million/tael), stimulating arbitrage demand and causing unofficial exchange rates to be "out of phase" with interbank exchange rates. Therefore, on December 28, the SBV quickly sent a telegram requesting immediate implementation of solutions to stabilize the gold market. The gold price that day dropped VND3.5 – 5 million/tael. Accordingly, the unofficial exchange rate closed at VND24,770/USD (+4.2% YTD).

NEER and REER moved in opposite directions

The NEER and REER had opposite movements in 2023. As of December 31, 2023, NEER decreased by 1.6% YoY and REER increased by 0.7% YoY (in line with VND depreciating compared to a basket of currencies of trading partners but appreciating if inflation factors are considered). The decline in NEER was mainly because the VND depreciated compared to USD, EUR, and CNY while the appreciation compared to JPY restrained the decline of NEER. The slight increase in REER reflects that Vietnam's CPI during the year was higher than the average CPI of its main trading partners (mainly because China fell into deflation).

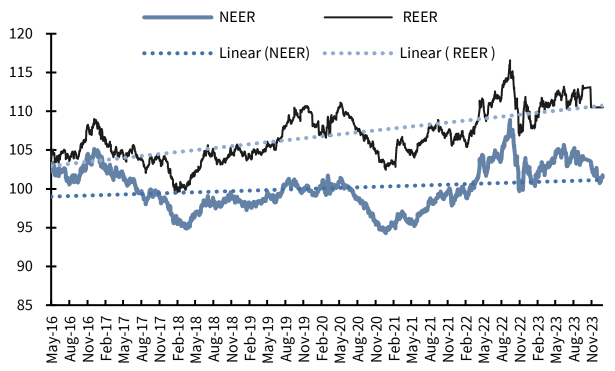
2023 can be considered the year of SBV's excellent management of policy when it implemented a loose monetary policy that goes against the global tightening trend to boost the economy but kept the exchange rate to rising at a moderate level. The SBV's regulation is even better than many other countries in the region.

Fig 56. Vietnam – USD/VND exchange rate (VND)



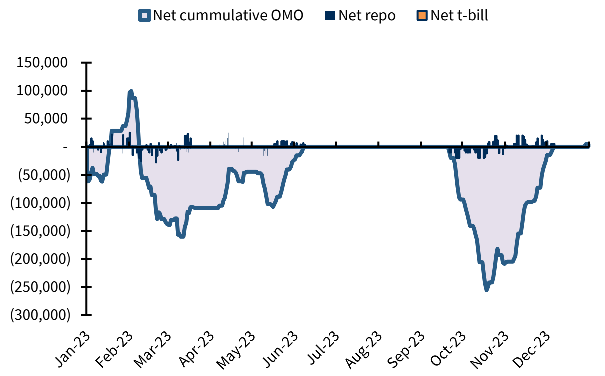
Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 57. Vietnam – NEER & REER (point)



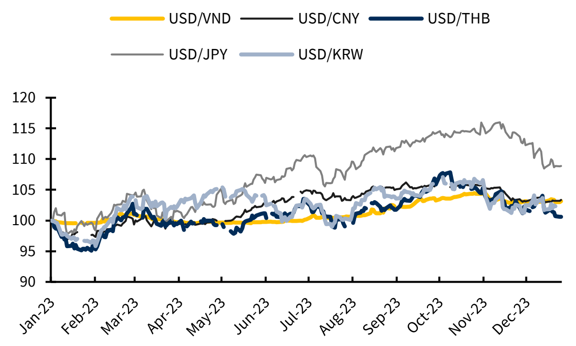
Source: Bloomberg, KB Securities Vietnam

Fig 58. Vietnam – OMOs



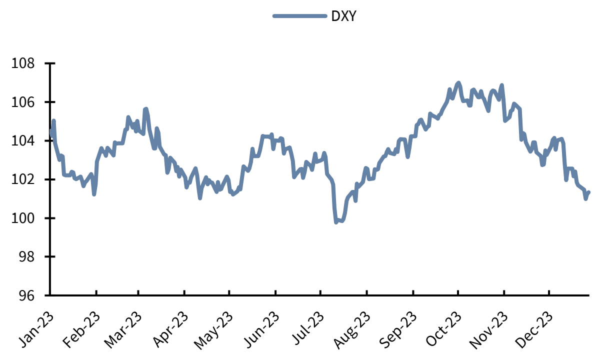
Source: State Bank of Vietnam, KB Securities Vietnam

Fig 59. Global – USD against other currencies



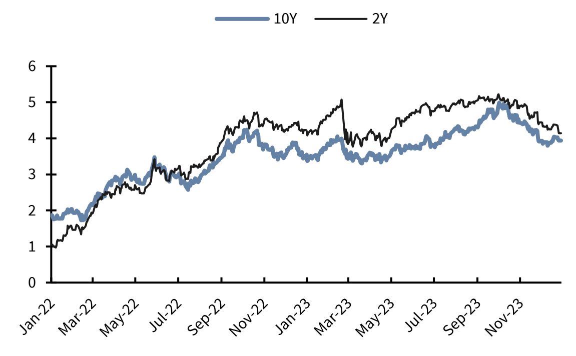
Source: Bloomberg, KB Securities Vietnam

Fig 60. US – DXY



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 61. US – US bond yield



Source: Bloomberg, KB Securities Vietnam

2. 2024F USD/VND exchange rate

The USD/VND exchange rate is forecast to be more stable

In the base scenario, we expect the USD/VND exchange rate to be more stable in 2024 and increase by 1.5% to VND24,600/USD as the overall trade balance is expected to be more positive, and the pressure from negative interest rate gap between USD and VND decreases bur still remains throughout the year.

Import and export are forecast to recover positively but the surplus may decrease

There should be a surplus of USD7-10 billion in 2024 as the trade balance, despite recording a smaller surplus, is offset by the FDI capital, remittances and decreasing trade deficit:

- **Exports are expected to recover positively with a growth rate of 8-12%**. The global economy, according to financial institutions, should grow slower in 2024, reaching 2.5% compared to the forecast of 2.9% in 2023. However, we still believe that exports would record positive growth because (1) inventories in the US and EU have been running out after a period of heavy imports before Covid due to concerns about supply chain disruption; (2) Vietnam - US relation has been upgraded to a strategic comprehensive partnership, which will support further export potential; and (3) consumer purchasing power has improved relatively as inflation has decreased globally. Besides, compared to the low base of 2023 (VND258 billion by the end of 3Q, down 8.5% YoY), the growth of 8%-12% is feasible. However, we also note that the risk of the ability to supply electricity to export companies during El Nino may directly affect export activities and FDI capital flows.
- **Imports are forecast to recover to USD12 - 18 billion, causing the trade balance to not have a large surplus like in 2023**. Poor credit demand and difficult real estate market limit people's consumer sentiment and purchasing power in 2023. With a brighter domestic economic outlook and a slight recovery in the real estate market, imports should also rebound.
- Import and export of services reduce the deficit due to the recovery potential of the tourism industry, especially for Chinese tourists.

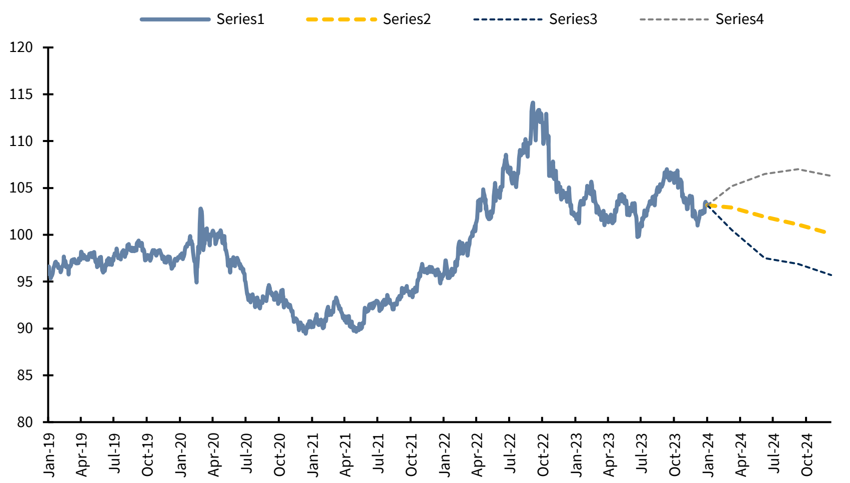
FDI capital flows and remittances continue to stably grow

- In addition, the Fed's interest rate cut in 2024 should help narrow the negative interest rate difference between USD and VND, which, when combined with weakening outlook of the USD, will help reduce the sentiment of holding USD, especially from enterprises with export revenue, thereby greatly supporting foreign currency flows from trade.
- Steady growth of FDI capital and remittances (for the reasons presented on page 9) will promote FDI capital flows to flow into Vietnam and be a stable source of foreign currency supply for 2024.

The decrease in the USD/VND interest rate differential helps reduce exchange rate pressure

- The decrease in interest rate differential in the market not only reduces speculative holdings by businesses but also alleviates carry trade pressure on the banking system. Besides, the downtrend of DXY, which should be at 100.1 by the end of 2024 according to financial institutions, is a huge support for the exchange rate.

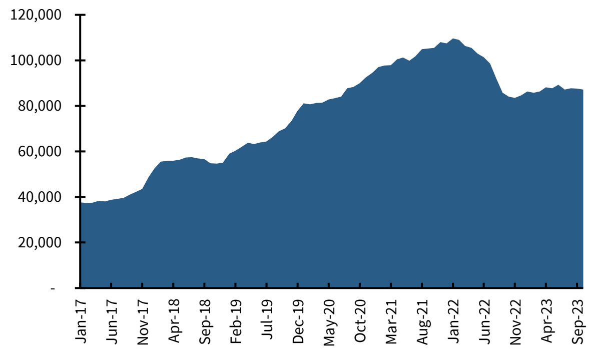
Fig 62. Vietnam – 2024F DXY (point)



Source: Bloomberg, KB Securities Vietnam

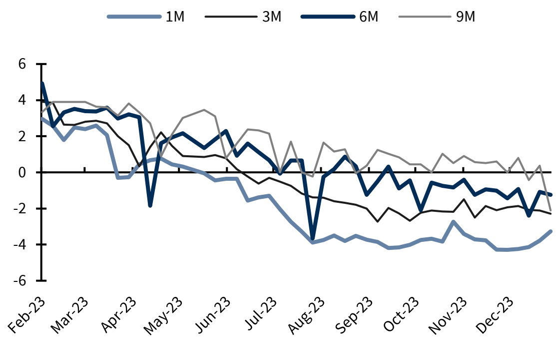
For the whole year 2024, we expect the SBV will buy USD7 – 10 billion, less than the average level in the 10 years from 2012 to 2021, helping to increase FX reserves and add a large amount of VND in circulation.

Fig 63. Vietnam – FX reserves (USDbn)



Source: Bloomberg, KB Securities Vietnam

Fig 64. Vietnam – USD-VND interest rate differential



Source: State Bank of Vietnam, KB Securities Vietnam

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Investment ratings & definitions

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