



## ECONOMY REVIEW AND OUTLOOK

**A tale of two sectors: exports outshine domestic as Q1 GDP hits a five-year high**

Vietnam recorded 5.7% GDP growth in 1Q24 (Fig. 2), the highest first-quarter expansion in five years. The industrial sector was a large contributor to this growth, up 6.2%, with exports rising by 14.2% YoY in March, bringing quarterly growth to 17.2%. The services sector rose by 6.1% YoY, revealing dispersion in the economic recovery, with domestic-oriented sectors lagging external-facing export industries. Retail sales of consumer goods and services in Q1 2024 increased 9.2% YoY, but it has not yet reached pre-pandemic levels. As Chinese tourists returned, tourism-related services maintained an upward trajectory as quarterly inbound visitors reached 4.6 million. This is 72% higher YoY and 3.2% above pre-pandemic levels in Q1 2019. Challenges, however, have been posed by the strength of the US dollar.

**Gold and crypto conundrum as VND navigates volatility**

The VND declined 3.0% YTD against the dollar but is relatively stable in comparison to its peers the JPY (-7.5%), THB (-6.8%), KRW (-4.2%), and TWD (-4.4%). The VND continues to be supported by factors including inward remittances, disbursed FDI, and a trade surplus. However, the continuous outflow of the dollar was a result of the persistent USD-VND negative swap rate of over 4%. The unofficial USD market has fluctuated wildly, peaking at 25,750 VND:USD (Fig. 3), as domestic gold prices and cryptocurrencies continue to soar. USD demand is climbing, resulting in a nearly 2-4% premium in the black-market rate and 5-6% on the crypto market. These factors have recently been driving the currency market.

**Anticipating the FX flux**

In response, The SBV raised the 1-month VND interbank interest rate from 1.5% to 4.0-4.5% (Fig. 4) by issuing \$6.8bn in SBV-bills to successfully narrow the average USD-VND negative rate differential from over 4% to around 2%. The SBV announced that current foreign exchange reserves are around \$100bn and is considering ways to further intervene, potentially by selling USD into the market. We expect that FX pressure will persist in the coming months, coinciding with the onset of dividend season and worldwide monetary policy reversals, which will further fortify the USD. The VND may depreciate by roughly 3-3.5%, possibly stabilising in the range of 25,000-25,200/USD. However, by the end of 2024, the situation may improve as the Fed pivots towards rate cuts, possibly easing FX pressure.

**Striking the balance between rates and currency**

Vietnam remains on track for 6.0-6.5% of GDP growth in 2024, though not without its hurdles. The balance between foreign exchange stability and interest rates emerges as a crucial challenge. Deposit rates are anticipated to increase by 30-50bps in the coming months after a sharp decline of 70-90bps YTD. We think this mid-cycle adjustment marks a strategic recalibration within the broader context of easing long-term monetary policy.

Fig.1

### ECONOMIC FORECASTS

31-Mar-24	Unit	2021	2022	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.1	6.0
Nominal GDP	\$bn	366.1	408.8	430.0	463.0
CPI (average)	%	1.8	3.2	3.3	4.0
Export Growth (cif)	%	19.0	10.6	-4.4	9.8
Import Growth (cif)	%	26.7	8.4	-9.2	10.2
Trade Bal (cif)	\$bn	3.3	12.4	28.0	29.3
FX Reserves	\$bn	106.5	85.0	89.0	100
FDI Disbursed	\$bn	19.8	22.4	23.2	24.2
VND:\$	1	22,800	23,550	24,500	25,000

Fig.2

### HIGHEST Q1 GDP GROWTH IN LAST 5 YEARS

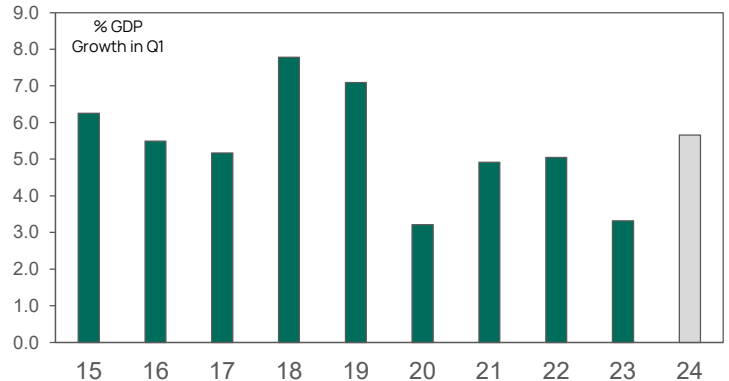


Fig.3

### VOLATILITY IN THE UNOFFICIAL FX MARKET

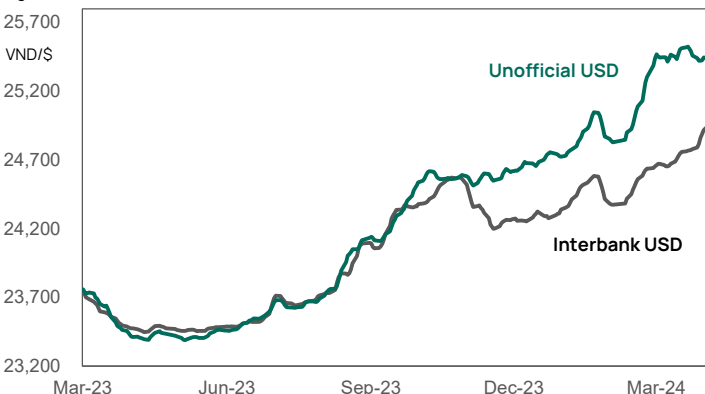
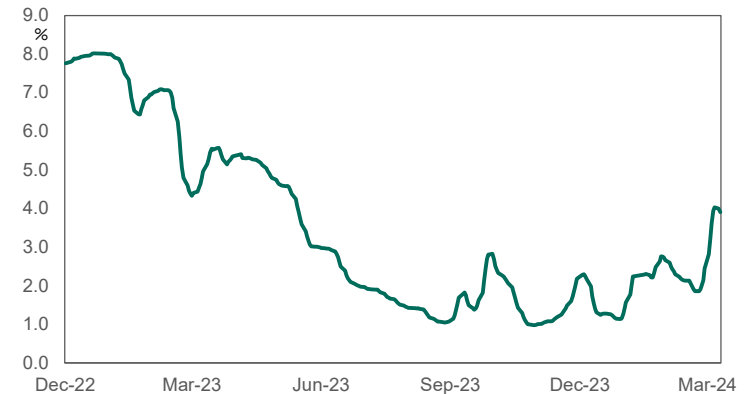


Fig.4

### 1-MONTH INTERBANK RATE HAS INCREASED TO 4-4.5%





## MARKET REVIEW AND OUTLOOK

### An uphill March: VNI overcomes obstacles to finish +2.0%

Despite facing a series of obstacles in March, the VNI rose by 2.0% in TR\$ terms. Net foreign selling surged to \$452mn from \$112mn in February, owing to a stronger dollar and increased profit-taking, the highest monthly amount since May 2021. A cybersecurity breach at a large brokerage saw its trading services suspended but was operational within a week. Despite this, daily liquidity across Vietnam's markets averaged \$1.2bn, the highest level in two years and the third consecutive month of increases (Fig. 4). The resumption of SBV-bill issuances led to a brief market drop of 2.5% between 8 and 11 March. On 18 March, the market faced a lesser decline of 1.6% due to the rumoured resignation of the President due to Party regulatory violations, which was confirmed on the 21st. Historically, domestic investors typically do not overreact to personnel changes, or if they do, it is only in the short term. The market quickly brushed this event aside to end the month positively, finding strong support at the 1240 level on 18 March, quickly rebounding to end the month at 1,284.

### SSC paves the way to solve pre-funding

FTSE Russell published its interim country review, spotlighting the issue of pre-funding as a key criterion for inclusion. FTSE acknowledged the Prime Minister's commitment to market reform, noting it has "remained resolute". This marked a significant improvement in tone from just one year ago when Vietnam's place on FTSE's watch list was being questioned. To address this challenge, the SSC published a draft circular proposing to remove prefunding requirements and satisfy FTSE benchmarks. It also mandated English language disclosures for large public companies by January 2025, a significant step towards transparency. This initiative has garnered preliminary approval from both the World Bank and FTSE for its potential to ease market frictions and attract international capital.

### Land Law leapfrog to catalyse the property market

The property sector looks set to benefit after the government brought forward the planned implementation of the new Land Law from January 2025 to July 2024. Covered in our January report, this promises to expedite land clearance processes for existing projects, with developers holding pre-approved land for commercial housing benefitting from land valuation methods that promise quicker project execution. The government also submitted a landmark resolution permitting the reclassification of land types for commercial development, set for implementation in May. Put simply, it means that land previously locked up in legal bottlenecks due to zoning and usage rights will become commercially available to developers. Once fully enforced, these two pieces of legislation have the potential to unlock a large supply of land into the market, enabling a large-scale resumption of stalled projects and reviving top-line growth for property companies.

Fig. 1

### DC TOP-80 FORECASTS

31-Mar-24	Unit	2021	2022	2023	2024F
PER	x	14.3	9.0	11.7	11.3
EPS Growth	%	39.3	-1.5	-4.7	19.3
PEG	x	0.4	Neg.	Neg.	0.6
Sales Growth	%	22.1	12.3	1.4	12.1
EBIT Growth	%	50.8	2.5	1.0	22.2
PBT Growth	%	38.3	1.4	-1.6	19.2
NPAT Growth	%	42.3	-0.2	-3.1	19.5
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	2.2	1.5

Fig. 3

### VNI TRAILING 5Y PB

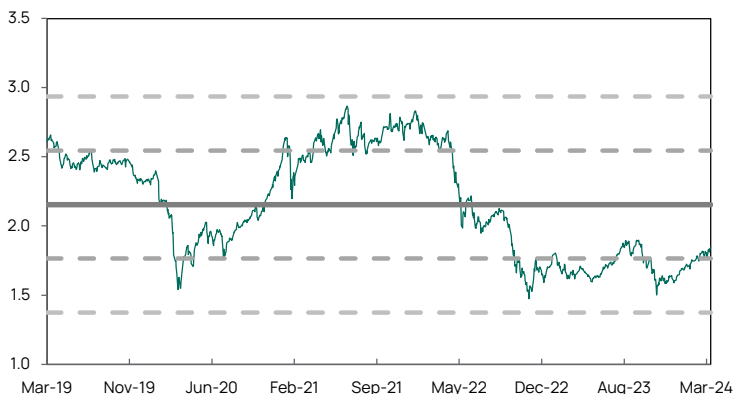


Fig. 2

### MARKET PERFORMANCE

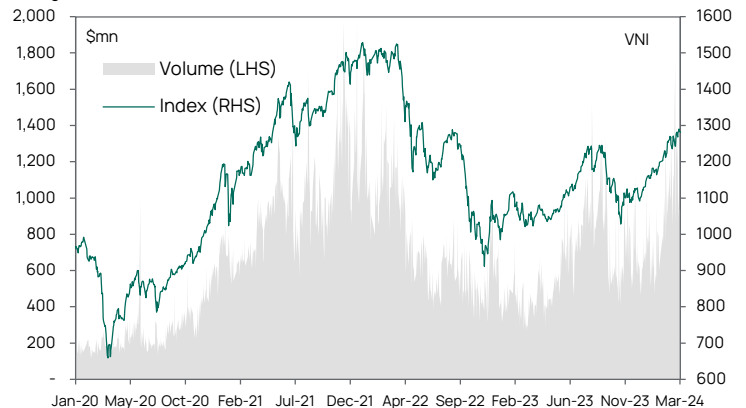
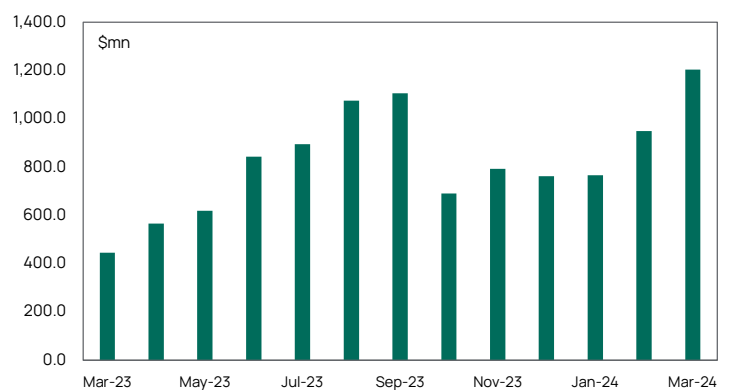


Fig. 4

### AVERAGE DAILY LIQUIDITY



Sources: Bloomberg, Credit Suisse / Refinitiv - all adjusted for free float



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