

Economic Forecast

It's still shining

Real GDP to grow strongly

We predict that real GDP would make a double-digit growth of 12.16% YoY and the inflation development would remain under control. The ongoing economic recovery, with favorable external markets and normalized domestic consumption, underlines 3Q22's performance.

Trade activities to slow down

We predict that export and import to grow by 12.38% YoY and 12.57% YoY in 3Q22. Consumer sentiment in our major trading partners remained positive despite the global tendency of hawkish monetary policies to rein inflation. Trade activities in 3Q22 would face a notable slowdown when the global outlook became less favorable.

CPI would be under control

Gasoline prices have reduced significantly in 3Q22 due to the government's stabilization efforts and the reduction of global crude oil. Foodstuff rose modestly under the stable agriculture output. Core CPI rose steadily under the recovered domestic consumption but to a modest extent.

KIS leading economic index

| | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 2020 | 2021 | 2022F |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|
| GDP (%) | (6.02) | 5.22 | 5.03 | 7.72 | 2.91 | 2.58 | 7.50 |
| Trade balance (USD bn) | (1.00) | 5.38 | 1.50 | (0.75) | 19.86 | 4.00 | 6.00 |
| CPI (%) | 2.51 | 1.89 | 2.50 | 2.96 | 3.24 | 1.84 | 3.50 |
| Discount rate (%) | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| USD/VND | 22,878 | 22,787 | 22,900 | 23,139 | 23,252 | 22,936 | 23,200 |
| US GDP (% qoq, annualized) | 2.30 | 6.90 | (1.60) | 3.00* | (3.40) | 5.60 | 3.90* |
| China GDP (% yoy) | 4.90 | 4.00 | 4.80 | 1.50* | 2.20 | 8.00 | 5.20* |

Source: SBV, GSO, Bloomberg, KIS

* Bloomberg's estimate

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Y Nguyen

y.nt@kisvn.vn

Nhan Tong

nhan.tt@kisvn.vn

I. A fruitful 3Q22 performance

Vietnam economy records a strong performance in 3Q22

We predict that real GDP would make a double-digit growth of 12.16% YoY and the inflation development would remain under control. The ongoing economic recovery, with favorable external markets and normalized domestic consumption, underlines 3Q22's performance. Manufacturers returned to operate smoothly and labor force has mostly recover to the pre-pandemic level, ensuring the manufacturing capacity for foreign and domestic orders. Besides, transportation cost has reduced significantly, lessening the raw materials burdens for enterprises.

We predict that export and import to grow by 12.38% YoY and 12.57% YoY in 3Q22. Consumers in our major trading partners remained a positive sentiment under the global tendency of hawkish monetary policies to rein inflation. Trade activities in 3Q22 would face a slowdown when global outlook became less favorable.

Table 1. Vietnam's economic forecast in 3Q22

| Indicator | 4Q21 | 1Q22 | 2Q22 | 3Q22F |
|-----------------------------|----------|----------|----------|----------|
| GDP growth (%) | 5.22 | 5.05 | 7.72 | 12.16 |
| Export (USD bn) | 95.36 | 87.13 | 97.08 | 92.29 |
| Export growth (% YoY) | 18.98 | 11.14 | 21.42 | 12.38 |
| Import (USD bn) | 88.36 | 87.54 | 97.32 | 93.77 |
| Import growth (% YoY) | 14.87 | 15.84 | 16.03 | 12.57 |
| Retail sales (VND tn) | 1,253.41 | 1,321.94 | 1,397.91 | 1,417.86 |
| Retail sales growth (% YoY) | -7.21 | 3.75 | 19.85 | 47.07 |
| CPI (% YoY) | 1.81 | 2.41 | 3.37 | 3.65 |

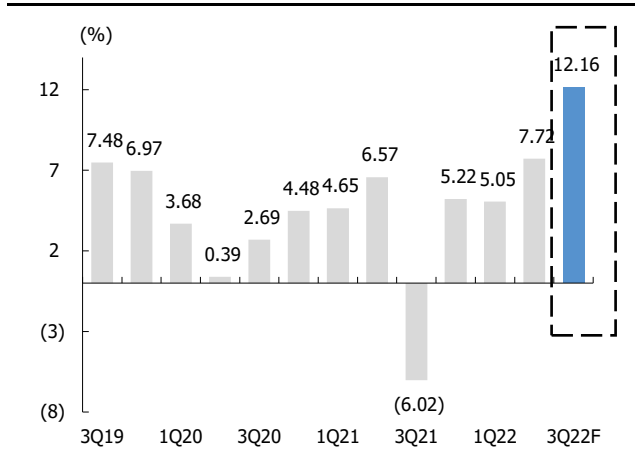
Source: SBV, GSO, Bloomberg, KIS

We predict the retail sales to grow by 47.07% YoY in 3Q22. Domestic consumption was pent-up last year and has recovered strongly after the government removed COVID-19 measures. Consumers have returned to shopping centers, frequented eating outsides, and enjoyed festival and tourism services like before. Google mobility reflected this development as the index returned positive in the three latest months.

We predict that CPI would increase by 3.65% YoY in the third quarter of 2022. Gasoline prices has reduced significantly in 3Q22 due to the government's stabilization efforts and the reduction of global crude oil. Foodstuff rose modestly under the stable agriculture output. Core CPI rose steadily under the recovered domestic consumption but with a modest extent.

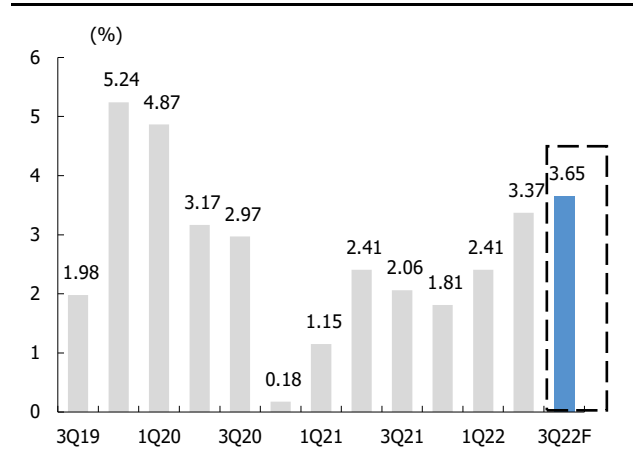
Regarding demand from the public sector, the expenditure of investment and development from the state budget was underperforming the fiscal plan of economic recovery approved by the national assembly in the beginning of 2022. However, the public expenditure made some improvements when comparing to the same period last year, adding more motivation for the economic growth in the third quarter.

Figure 1. Real GDP growth forecast



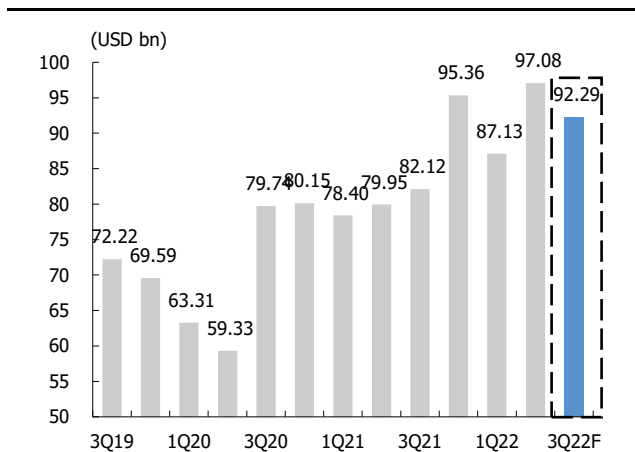
Source: KIS, GSO

Figure 2. Inflation forecast



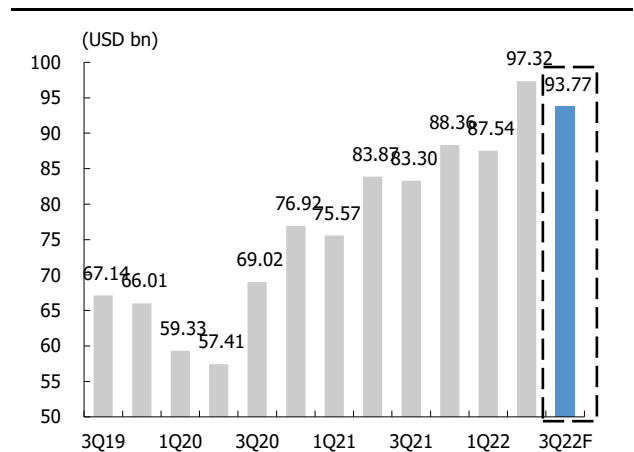
Source: KIS, GSO

Figure 3. Export forecast



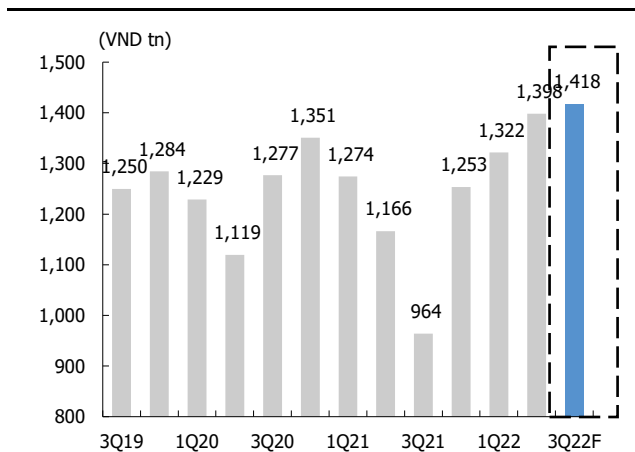
Source: KIS, GSO

Figure 4. Import forecast



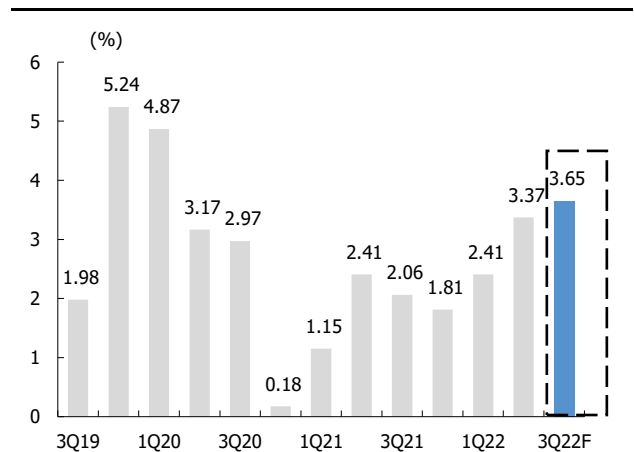
Source: KIS, GSO

Figure 5. Retail sales forecast



Source: KIS, GSO

Figure 6. Disbursed FDI forecast



Source: KIS, GSO

Macro scorecard

| | 22-Mar | 22-Apr | 22-May | 22-Jun | 22-Jul | 22-Aug | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 2018 | 2019 | 2020 | 2021 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP growth (%) | | | | | | | -6.02 | 5.22 | 5.03 | 7.72 | 7.08 | 7.03 | 2.91 | 2.58 |
| Registered FDI (USD bn) | 2.89 | 3.91 | 0.98 | 2.32 | 1.51 | 1.23 | 6.88 | 9.01 | 8.91 | 5.12 | 35.47 | 38.02 | 28.53 | 31.15 |
| GDP per capita (USD) | | | | | | | | | | | 3,202 | 3,398 | 3,521 | 3,725 |
| Unemployment rate (%) | | | | | | | | | | | 2.21 | 2.25 | 2.48 | 3.22 |
| Export (USD bn) | 34,061 | 33,258 | 30,480 | 32,650 | 30,323 | 33,380 | 82.12 | 95.26 | 86.01 | 96.83 | 243.5 | 263.6 | 282.7 | 335.7 |
| Import (USD bn) | 32,672 | 32,189 | 32,210 | 32,370 | 30,302 | 30,960 | 83.12 | 88.72 | 87.45 | 97.58 | 236.7 | 254.4 | 263 | 331.1 |
| Export growth (%) | 14.84 | 24.98 | 16.38 | 19.98 | 8.87 | 22.14 | 2.99 | 20.43 | 13.43 | 21.02 | 13.19 | 8.16 | 7.02 | 18.74 |
| Import growth (%) | 14.64 | 15.45 | 12.85 | 16.32 | 3.42 | 12.42 | 18.85 | 15.42 | 15.17 | 15.72 | 11.01 | 7.41 | 3.81 | 25.9 |
| Inflation (%) | 2.41 | 2.64 | 2.86 | 3.37 | 3.14 | 2.89 | 2.51 | 1.89 | 1.92 | 2.96 | 3.54 | 2.79 | 3.24 | 1.84 |
| USD/VND | 22,837 | 22,968 | 23,195 | 23,254 | 23,343 | 23,417 | 22,761 | 22,790 | 22,837 | 23,139 | 23,175 | 23,173 | 23,126 | 22,790 |
| Credit growth (%) | 4.13 | 6.37 | 7.62 | 8.51 | 9.14 | 9.62 | 7.88 | 12.97 | 4.13 | 8.51 | 10.77 | 13.75 | 12.17 | 12.97 |
| 10Y gov't bond (%) | 2.46 | 3.11 | 3.25 | 3.38 | 3.50 | 3.37 | 2.14 | 2.11 | 2.40 | 3.24 | 5.07 | 3.37 | 2.01 | 2.11 |

Source: GSO, Bloomberg, FIA, IMF

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VIET NAM

JAE HEUNG LEE, Business Director (jhlee@kisvn.vn +8428 3914 8585 - 1466)
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)
KIS Vietnam Securities Corporation
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.
Fax: 8428 3821-6898

SOUTH KOREA

YEONG KEUN JOO, Managing Director, Head of International Business Division (yjkoo@truefriend.com, +822 3276 5157)
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320
Fax: 822 3276 5681~3
Telex: K2296

NEW YORK

DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)
Korea Investment & Securities America, Inc.
1350 Avenue of the Americas, Suite 1110
New York, NY 10019
Fax: 1 212 314 0699

HONG KONG

GREGORY KIM, Managing Director, Head of HK Sales (greg.kim@kisasia.com, +822 2530 8915)
Korea Investment & Securities Asia, Ltd.
Suite 2220, Jardine House
1 Connaught Place, Central, Hong Kong
Fax: 852-2530-1516

SINGAPORE

ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasia.com.sg +65 6501 5602)
CHARLES AN, Sales (alex.jun@kisasia.com.sg +65 6501 5601)
Korea Investment & Securities Singapore Pte Ltd
1 Raffles Place, #43-04, One Raffles Place
Singapore 048616
Fax: 65 6501 5617

LONDON

Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)
Korea Investment & Securities Europe, Ltd.
2nd Floor, 35-39 Moorgate
London EC2R 6AR
Fax: 44-207-236-4811

INDONESIA

JONG IN HONG, Managing Director (Jay.hong@kisi.co.id 62 813 1947 1984)
Korea Investment & Sekuritas Indonesia
Equity tower, 9th & 22nd Floor Suite A SCBD Lot 9. Jl Jenderal Sudirman Kav. 52-53, Jakarta 12190 Indonesia
Fax: 62 21 299 11 999

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