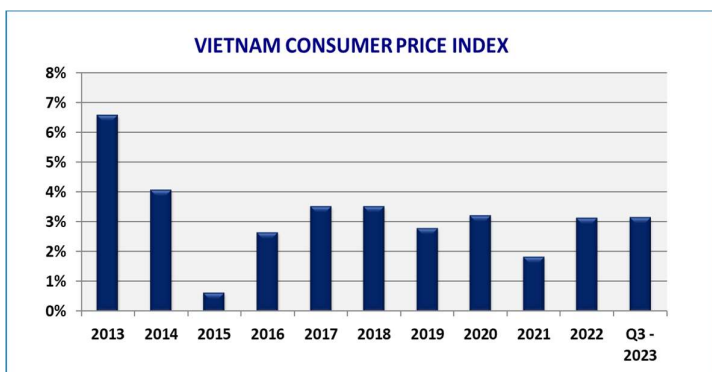


## ECONOMIC SITUATION

### INFOGRAPHIC



Sources: General Statistics Office (GSO)

### ECONOMIC HIGHLIGHTS

**Vietnam's GDP in Q3 noted 5.33% growth while nine months expanded 4.24%.**

Despite that the expansion is nearly the lowest 9-month GDP growth during the 2011-23 period, the country still witnesses an uptrend in GDP growth over the first three quarters of this year, according to the General Statistics Office (GSO). The overall growth was mainly contributed by the 6.32% advance of the service sector, following by 3.43% expansion of the agro-forestry-fishery sector and the 2.41% increase of the industry and construction sector.

**The average consumer price index (CPI) went up 3.16% in nine months.**

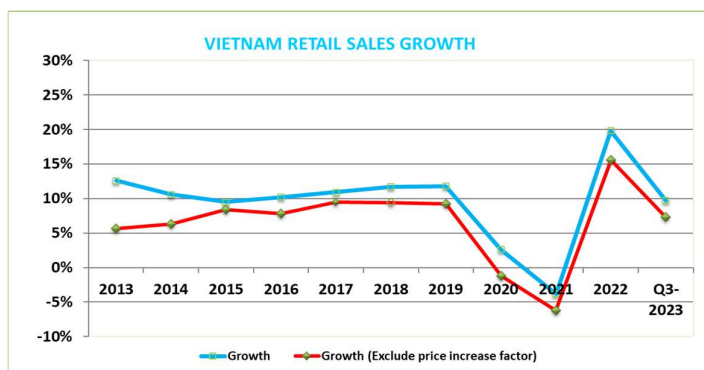
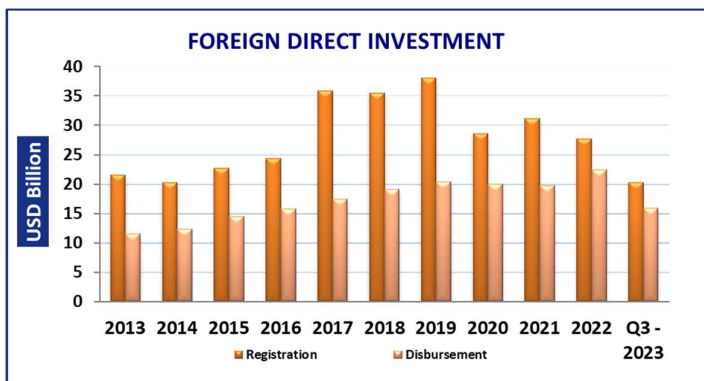
According to the GSO, CPI in September rose by 1.08% from previous month while up 3.66% from last year. The country's average CPI in nine months posted an increase of 3.16% over the same period last year while core inflation went up 4.49%. The increase was mainly attributed to the rise in airline ticket prices, education fees, food prices, housing and construction materials.

**Industrial production index (IIP) inched up 0.3% by Q3.**

In which, the manufacturing sector increased by 0.2%, the electricity production and distribution up 2.6% while water supply and waste management rose 4.9% compared to the same period last year. Meanwhile, the mining sector declined by 3%. The consumption index of manufacturing sector in 9 months advance 0.6% while the inventory index by 30 Sep went up 19.4%.

## ECONOMIC SITUATION

### INFOGRAPHIC



Sources: General Statistics Office (GSO), Ministry of Planning and Investment

### ECONOMIC HIGHLIGHTS

**Vietnam posted a trade surplus of US\$21.68 billion in the first nine months of the year.**

During nine months, the country's export turnover reached US\$259.67 billion, a year-on-year drop of 8.2%, which was blamed on slow recovery of the global economy together with the decline in demand of major markets. Meanwhile, the country's imports volume in the same period noted US\$237.99 billion, down 13.8% from last year.

**FDI continues its increasing trend with US\$20.21 billion registered in nine months, noted 7.7% growth.**

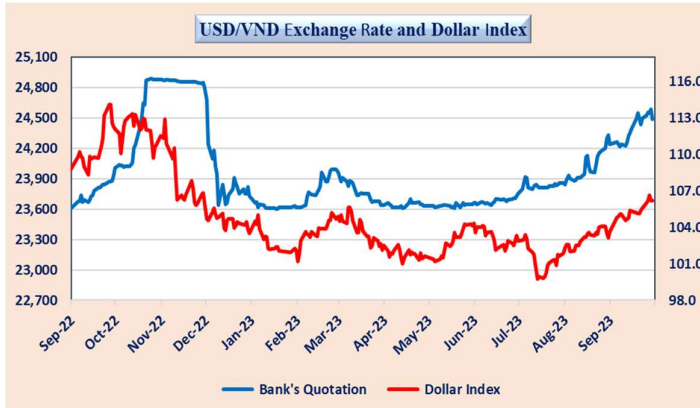
The disbursement capital also touched US\$15.91 billion, an increase of 2.2%, as of 20 Sep 2023. In details, US\$10.23 billion was granted for newly registered projects, US\$5.15 billion was added to existing projects and US\$4.82 billion was injected to capital contributions and share purchases.

**Total retail sales and service revenue by Q3 increased 9.7% to VND4,567.8 trillion.**

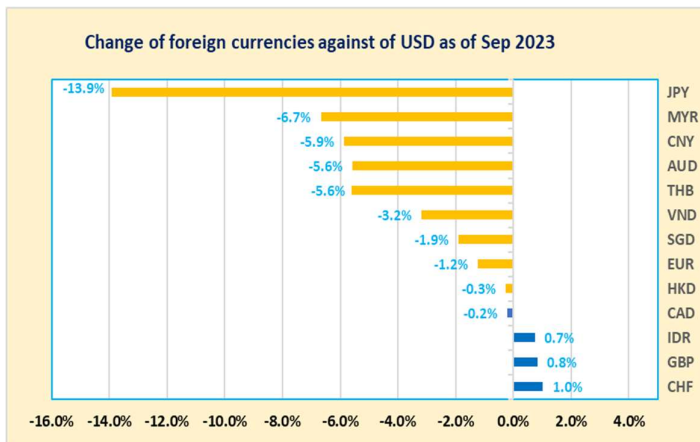
If excluding the price factor, the growth would be 7.3%. In which, revenue from the goods retail sales stood at VND3,572 trillion, up 8.4% from last year. The traveling service surged 47.7% while the accommodation and other services also went up 16.0% and 11.5% respectively year-on-year.

## FOREIGN EXCHANGE MARKET

### INFOGRAPHIC



| USD/VND Exchange rate | As of 29/09/2023 | Δ YoY | Δ YTD |
|-----------------------|------------------|-------|-------|
| SBV's Official rate   | 24,089           | 3.07% | 2.02% |
| SBV's Ceiling rate    | 25,293           | 5.07% | 2.02% |
| SBV's Floor rate      | 22,885           | 0.95% | 2.02% |
| Bank's Quotation      | 24,150 - 24,490  | 2.34% | 3.20% |



Sources: SBV, Vietnam's Government, Refinitiv etc.

### MARKET HIGHLIGHTS

Dollar/dong exchange rate soared up in Q3-2023, mainly blamed for the strong fluctuation of the Dollar index (DXY) in the international front. Let's have a closer look at the picture of the local forex market.

*USD/VND exchange rate increased in the early month then stayed stable in the rest of July.*

Shifting to July, dollar/dong exchange rate maintained the increasing trend in last June. Specifically, USD/VND exchange rate opened the month at 23,410 – 23,750 level and soared up 170 dong to 23,580 – 23,920 on 6th July, the highest level in July. Meanwhile, in the international front, DXY dropped sharply in the first half of July. In detail, DXY fell to 99.77 on 13th July, setting a new 15-month trough. The U.S. data showed U.S. core inflation slowed a lot faster than expected. It came in at 0.2% in June against market expectations for 0.3%.

Thanks to the easing of DXY, the local market witnessed USD/VND exchange rate stabilization in the rest of July. Besides, FDI influx and surplus trade balance also contributed to enrich the dollar supply. According to Vietnam Customs, the trade balance surplus by July noted US\$16.48 billion. Given this situation, USD/VND exchange rate went down to 23,500 – 23,840 on 7<sup>th</sup> July then fluctuated in the range of 50 dong and closed July at 23,515 – 23,855 level, 105 dong higher than early month's level.

## FOREIGN EXCHANGE MARKET

### MARKET HIGHLIGHTS

*DXY index increased strongly in Q3 and closed Q3 at 106.22 levels.*

In the meeting in July, U.S. Fed raised the benchmark rate by 25 basis points to a target range of 5.25-5.50%, the highest level since early 2001. They also left the door open for further increases rate in the coming time. Moving to the next meeting, the authority held interest rates steady in September, while also indicating it still expects one more hike before the end of the year. By next year, U.S. Fed officials predict they'll cut the rate to 5% to 5.25%, higher than the 4.5% to 4.75% as projected in June. Accordingly, DXY closed out a streak of eleven consecutive weekly gains, its 2<sup>nd</sup> longest streak in over 50 years and reaching fresh 2023 high.

*Dollar/dong soared up in August, following the upward trend of greenback in international front*

In the local market, in order to support the economy recovery, SBV has cut its policy interest rates for total 4 times as of June. Monetary easing actions of SBV have caused the interest rate difference between VND and USD to remain high, encouraging USD holding. This factor along with the increasing of DXY put more pressure on the USD/VND exchange rate in the rest of the Q3. In addition, the local currency only depreciated around 0.53% against the greenback as of July. Whereby, bank quoted USD/VND exchange rate around 23,515 – 23,855 levels at the early July. However, it quickly recorded an increasing of 270 dongs by mid of August to level 23,785-24,165 and soared up to 23,900-24,240 levels at the end of August, recording 385 dongs higher than previous month's level.

*USD/VND exchange rate stayed upward trend before cooling down a bit in late-Sep*

Shifting to the September, USD/VND exchange rate continuously increased and hit 24,240 – 24,610 level on 26<sup>th</sup> September, highest level of Q3. During this period, Vietnam State Treasury also announced to buy US\$200 million in early September through a public bidding from commercial banks, putting more pressure on greenback demand. Under this circumstance, SBV issued bills to absorb the excess liquidity in banking system. This action helps USD/VND exchange rate cool of in the late of September.

*Dong depreciated around 3.20% against greenback in Q3-2023*

Ending 3<sup>rd</sup> quarter, USD/VND exchange rate hovered at 24,150 – 24,490 level, recording increase of 3.20% compared with last December's level. Meanwhile, in terms of the SBV's official rate, it was opened at 23,805 and up-adjusted to end Q3 at 24,089, noting a rise of nearly 2.02% from last year-end.

## MONEY MARKET

### INFOGRAPHIC



#### VND Interest Levels as of 29/09/2023

| O/N         | 1 Week      | 1 Month     | 3 Months    |
|-------------|-------------|-------------|-------------|
| 0.3% - 1.2% | 0.5% - 1.4% | 2.0% - 4.0% | 3.0% - 5.0% |

#### Primary Bond Market (01/01-29/09/2023) (Unit: VND Bio)

| Term         | Offer          | Register       | Wining         | Yields       | ▲ YTD          |
|--------------|----------------|----------------|----------------|--------------|----------------|
| 5Y           | 37,250         | 104,638        | 26,943         | 1.63 - 3.70% | -              |
| 7Y           | 2,250          | 6,120          | 950            | 3.80 - 3.80% | -              |
| 10Y          | 111,750        | 328,047        | 98,447         | 2.30 - 5.0%  | ▼2.29% - 0.12% |
| 15Y          | 131,750        | 353,778        | 113,803        | 2.55 - 5.0%  | ▼2.21% - 0.08% |
| 20Y          | 4,000          | 8,399          | 2,049          | 2.75 - 4.15% | ▲0.0% - 1.0%   |
| 30Y          | 12,000         | 34,619         | 7,689          | 3.05 - 4.80% | ▲0.04% - 1.19% |
| <b>Total</b> | <b>299,000</b> | <b>835,601</b> | <b>249,881</b> |              |                |

#### Open Market Operation (01/01-29/09/2023) (Unit: VND Bio)

| Types        | Volume  | Term      | Outstanding as of 29/09/2023 |
|--------------|---------|-----------|------------------------------|
| Reverse Repo | 381,605 | 7-28 days | -                            |
| SBV's Bills  | 882,377 | 7-91 days | 93,800                       |

Sources: SBV, Vietnam's Government, Refinitiv etc.

### MARKET HIGHLIGHTS

The local money market drew a quite peaceful picture in Q3 where VND interest rates stayed stably at record low levels during the quarter thanks to ample market liquidity.

Shifting to July, the local money market witnessed a further easing off of VND interest rates in the inter-bank market thanks to abundant liquidity. Specifically, O/N and 1W interest rates further slid down for about 30-40 bps to fetch nearly zero levels at 0.3-1.2% and 0.5-1.4% levels respectively and stayed steadily around these levels during Q3. Meanwhile, VND interest rates for longer tenors also reduced about 30-50 basis points to 2.5-4.5% for 1M and 3.5-5.5% for 3M as at end of July and further inched down for another 50 basis points to fetch 2.0-4.0% and 3.0-5.0% levels in August and maintained at these levels until late September.

***SBV totally withdrew VND93.8 trio out of market circulation in late September.***

In the global front, U.S. Fed held interest rates steady at 5.25%-5.50% in the September meeting, but stiffened its hawkish stance with one more hike before the end of the year. In this circumstance of wide gap between dong and dollar interest rate, the SBV has started to issue Treasury Bills back after more than 6 months pausing since March 2023 in order to absorb spare fund out of market circulation. Specifically, SBV from 21-29 September has issued bills with the total amount of VND93.8 trillion for tenors 28 days with interest rates in the range of 0.49% -1.0%.

As the results of the SBV's action, the dong

## MONEY MARKET

### MARKET HIGHLIGHTS

*Interest rates inched up after SBV's action of issuing Treasury Bills*

*Credit growth reached 6.92% as at 29Sep2023.*

*VST successfully raised around VND70 trillion via bond issuance in Q3-2023.*

interest rates showed upward for all tenors in the last week of September. Specifically, interest rates for O/N and 1W tenors increased 10-30 basis points to close Q3 at 0.3%-1.2% and 0.5%-1.4% respectively. In the meantime, interest rates of longer terms such as 1M and 3M also went up about 30-50 basis points to hover at 2.5-4.5% and 3.5-5.5% levels accordingly as at the Q3's close.

According to the General Statistic Office, as of Sep 20, 2023, the total means of payment increased by 4.75% compared to the end of 2022. Besides, the capital mobilization from credit institutions increased by 5.8% compared to the end of last year with total capital mobilization outstanding as at 30 Sep 2023 reached a record high level of VND12,900 trillion, even in the context that the average deposit interest rate levels have reduced significantly from the last year-end levels. On the other hand, according to SBV, the credit growth as at 29 September 2023 was still quite moderate at 6.92%, which was far below the SBV's target of 14% in 2023.

On the primary debt market, Vietnam State Treasury (VST) in the third quarter offered the total of VND75.75 trillion worth of government bond with the tenors 5,10,15,20 and 30-year term. The registered volume reached VND147.92 trillion, approximately 1.95 times over the offered amount. Thanks to high demand, VST sold out 92.4% of their offer in the last three months, which was VND69.99 trillion. The most attractive bond tenors were still 10-y and 15-y terms which accounted for nearly 87.3% over the total issuing volume. The winning yields were in the range of 1.63-2.0%, 2.36-2.45%, 2.59-2.70%, 2.75% and 3.05-3.20% for 5-y, 10-y, 15-y, 20-y and 30-y terms respectively, which showed decreasing trend for all tenors of 0.09-0.37% compared to the previous quarter end levels. From the beginning year so far, VST could raise VND249.88 trillion of government bonds, achieved 62.47% of the whole year target of VND400 trillion.

Closing Q3, the Dong interest rates were inched up but still hovered at low levels for all tenors. Specifically, O/N and 1W interest rates hovered around 0.3-1.2% and 0.5-1.4% respectively. Meanwhile, 1M and 3M interest rates hovered around 2.0-4.0% and 3.0-5.0% levels. Market liquidity was still ample with wide offers from market lenders.

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***Dong is expected to depreciate at moderate levels against dollar in the last quarter of the year.***

The USD/VND exchange rate has been under pressure in recent months due to both internal and global factors. The strong demand of greenback in the local foreign exchange market together with the acceleration of dollar in the international front has kept the dollar/dong exchange rate on the bullish pattern. In the coming time, the unpredictable international context will continue to put pressure on the local exchange rates. Dollar is predicted to keep its strength with high possibility of another interest hike in the last quarter. Nevertheless, the foreseeable capital inflows from surplus trade balance and FDI as well as proper and flexible monetary policy management of SBV, in the context of strong position of foreign reserve, will remain as main factors to support the stability of the local foreign exchange market. With this connection, dong is expected to depreciate at moderate levels against dollar toward the year-end.

***Dong interest rates are predicted to increase towards the rest of the year but still be maintained at affordable levels.***

The country's economic growth reached 4.24% in nine months, which was challenge to achieve the whole year target of 6.0-6.5%. Besides, according to SBV, the credit growth as at 29 September reached at 6.92% while the 2023's target remains 14%. Under this circumstance, SBV is expected to maintain the loosening monetary policy in order to support the economy as well as help to boost up credit growth by maintain stable liquidity and moderate interest rates levels in the money market. Nevertheless, as the Fed is still expected to continue lifting the policy level by another 0.25% in the last quarter, it is foreseen that SBV is likely kept using proper monetary tools via open market channels to maintain the reasonable gap between USD interest rate and VND interest rate as well as to reduce the pressure on USD/VND exchange rate. Hence, VND interest rate is expected to increase in Q4-2023 but would be kept at moderate levels that could support businesses activities for the rest of the year.