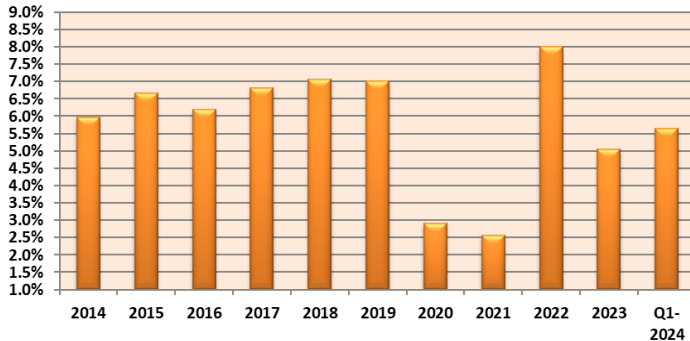


## ECONOMIC SITUATION

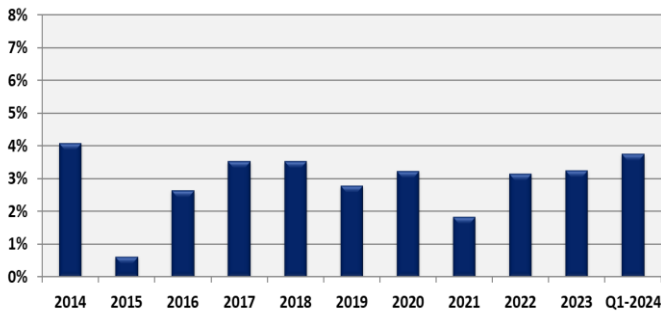
### INFOGRAPHIC

### ECONOMIC HIGHLIGHTS

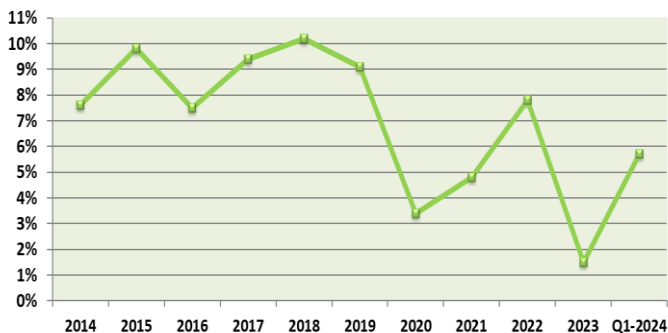
#### GDP GROWTH



#### VIETNAM CONSUMER PRICE INDEX



#### VIETNAM INDUSTRIAL OUTPUT



Sources: General Statistics Office (GSO)

**Vietnam's economy impressively escalated 5.66% in the first quarter of the year.**

Vietnam exhibited a remarkable surge of 5.66% in GDP growth rate in Q1-2024, marking the highest growth for the same period since 2020, as reported by the General Statistics Office (GSO). Mainly contributing to the general growth was the service sector that expanded 6.12%, the industry and construction sector with 6.28% increase and the agriculture-forestry-fishery sector that grew 2.98%.

**Q1's average consumer price index (CPI) went up 3.77% year-on-year.**

According to the GSO, CPI in March 2024 rose 3.97% year-on-year, 1.12% year-to-date while decreased 0.23% month-on-month. The average CPI in the first quarter hiked 3.77%, which was mainly attributed to the increase in housing and construction material prices, education prices etc. In addition, core inflation in Q1 remained relatively stable, which increased 2.81% annually.

**The industrial production index (IIP) increased 5.7% in the first three months.**

In particular, the manufacturing sector climbed up 5.9%, the electricity production and distribution rose 12.1%, the water supply along with waste management grew 4.0% while the mining industry contracted 4.1% year-on-year. The consumption index of manufacturing sector in Q1 hiked 8.2% annually while the inventory index by the end of March advanced 14.1% year-on-year.

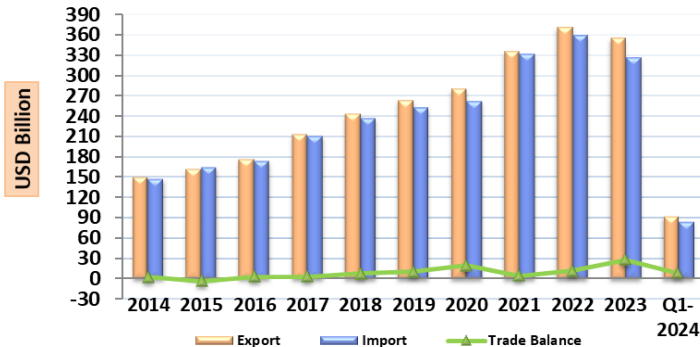
# Vietnam Financial Market Report – 1<sup>st</sup> Quarter 2024

## ECONOMIC SITUATION

### INFOGRAPHIC

### ECONOMIC HIGHLIGHTS

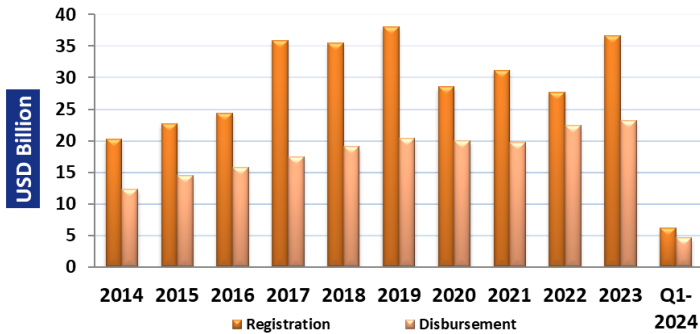
**VIETNAM TRADE BALANCE**



**Trade surplus in Q1 posted US\$8.08 billion.**

Preliminary data from GSO revealed a bright picture of Vietnam’s export-import activity in the first three months of 2024 with the trade surplus impressively touching US\$8.08 billion. Specifically, the country posted the export revenue of US\$93.06 billion while import volume recorded US\$84.98 billion, increased 17% and 13.9% year-on-year.

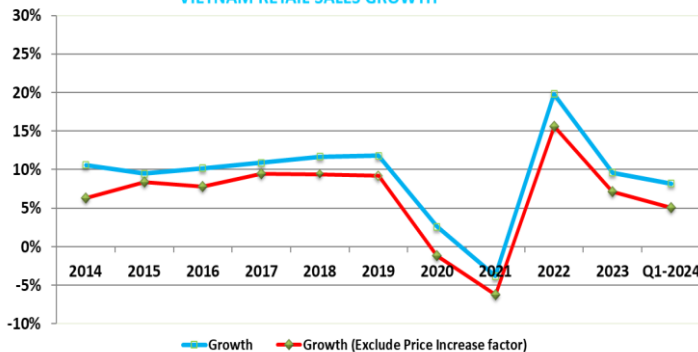
**FOREIGN DIRECT INVESTMENT**



**Vietnam attracted more than US\$6.17 billion of Foreign Direct Investment (FDI) as of 20 Mar, up 13.4% year-on-year.**

The registration capital included US\$4.77 billion poured into new projects, US\$934.6 million added into ongoing projects and US\$466.2 million for capital contributions and share acquisitions. The disbursed FDI figure went up 7.1% from earlier year to nearly US\$4.63 billion.

**VIETNAM RETAIL SALES GROWTH**



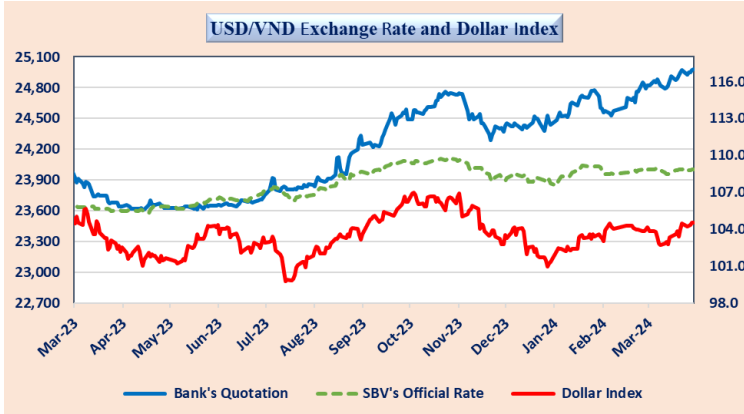
**Total revenue of goods retail and consumer services in Q1 was estimated at nearly VND1,537.6 trillion, up 8.2% annually.**

If excluding the price factor, the increase would be 5.1%. The retail sales of goods in Q1 noted VND1,190.3 trillion, up 7% year-on-year. Revenue from the travel services soared up 46.3% while accommodation along with food services and other services annually hiked 13.4% and 9.5% accordingly.

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

## FOREIGN EXCHANGE MARKET

### INFOGRAPHIC



### MARKET HIGHLIGHTS

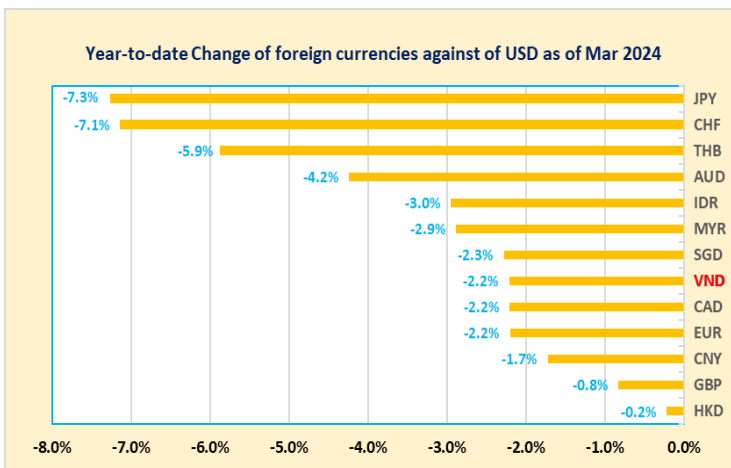
Dollar/dong exchange rate soared up in Q1-2024, mainly blamed for high market demand, the strong fluctuation of the Dollar index (DXY) in the international front as well as the negative gap of VND and USD interest rate in local market. Let's have a closer look at the picture of the local forex market.

***USD/VND exchange rate increased in January.***

In the international front, the DXY soared up about 1.91% to around 103.3 point at the end of January after U.S. economic data signaled economic strength, dimming expectations for imminent rate cuts from the Federal Reserve. Besides, the consumer price index reading for December increased at an annual pace of 3.4% for the month, up from 3.1% in the previous month, and exceeding economists' expectations of about 3.2%. Another supporting factor for the dollar gain was China's economic growth at 5.2% in 2023 that was slightly more than the official target but was a far shakier recovery than many expected while its property crisis deepened.

Besides the strength of DXY in international front, the rising of greenback demand pushed dollar/dong exchange rate up in the local market. Specifically, USD/VND exchange rate went up from the 24,080-24,420 levels in the early January to peak the month at 24,440-24,780 on 26<sup>th</sup> January, recording 340 dongs higher than last year's level.

USD/VND Exchange rate	As of 29/03/2024	Δ YoY	Δ YTD
SBV's Official rate	24,003	1.69%	0.57%
SBV's Ceiling rate	25,203	1.69%	0.57%
SBV's Floor rate	22,803	1.69%	0.57%
Bank's Quotation	24,640 - 24,980	5.67%	2.21%



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

## FOREIGN EXCHANGE MARKET

### MARKET HIGHLIGHTS

*USD/VND exchange rate decreased before Tet holidays.*

Entering the last days of January, high dong funding demands together with rising inter-bank VND interest rates before Tet holidays drove market players to sell dollar for the local currency. Consequently, dollar/dong exchange rate gradually went down to around 24,230-24,570 levels before the market closed for Lunar New Year.

*Dollar/dong exchange rate rebound after Tet and keep climbing up in the rest of Q1.*

After Tet holidays, USD/VND exchange rate faced upward pressure in the remaining period of the first quarter due to high market demands for both spot and forward terms. Given the sluggish lending activities, SBV kept attempts of maintaining low VND interest environment to maximize the access to bank loans for businesses. Consequently, VND interest rates remained hovering at low levels in the inter-bank market, causing negative gap between VND and USD interest rates. This triggered dollar buyers to engage USD/VND forward contracts for both FX risk hedging and gaining benefits from forward discount. Meanwhile, greenback supply sources were seen as bright figures from exports and foreign investments inflow but seemed not rich enough to meet the demands well.

*DXY maintained the upward trend in Q1, impacting into the exchange rate surge in the domestic market.*

In addition, the shift in the global rate outlook following central banks' meeting results has raised the greenback value. Specifically, in the first two meetings of 2024, U.S. Fed decided maintained its target rate range of 5.25-5.5%. Along with the decision, Fed officials penciled in three quarter-percentage point cuts by the end of 2024 but any actions would wait for more economic readings. DXY regained and hit 104.55 by the end of March, the highest close level in Q1. Given motivating factors for greenback purchase from both internal and external side, USD/VND exchange rate moved upward from 24,300-24,700 levels in February to 24,500-24,900 level in March.

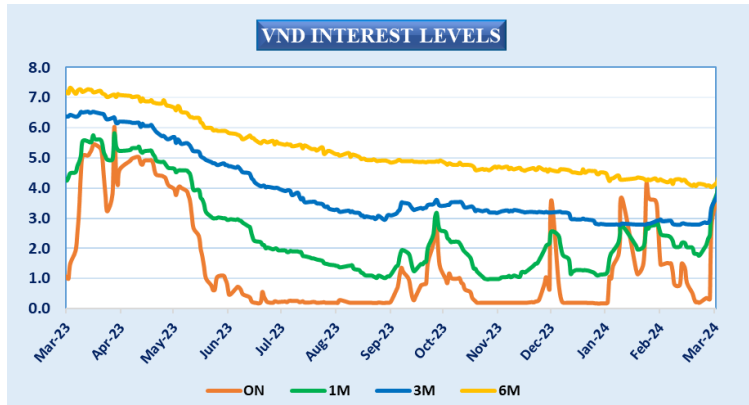
*Dong depreciated around 2.21% against greenback in Q1-2024*

In response to the rapid surge of USD/VND exchange rates, SBV activated bills issuance with an aim to narrow VND and USD interest rates gap and reduce dollar hoarding. This action to some extent helped to alleviate the persistent pressure on the local foreign exchange market.

USD/VND exchange rate closed Q1 at 24,640 – 24,980 level, recording a year-to-date rise of 2.21%. Meanwhile, in terms of the SBV's official rate, it was up-adjusted by 0.57% to end Q1 at 24,003 level.

## MONEY MARKET

### INFOGRAPHIC



#### VND Interest Levels as of 29/03/2024

O/N	1 Week	1 Month	3 Months
2.5% - 3.5%	2.5% - 3.5%	3.0% - 4.0%	3.0% - 4.0%

#### Primary Bond Market (01/01-31/03/2024) (Unit: VND Bio)

Term	Offer	Register	Wining	Yields	▲/▼ YTD
5Y	23,250	36,066	14,750	1.37-1.50%	▼0.21-0.08%
7Y	2,000	900	400	2.02%	▼1.78%
10Y	44,250	97,731	33,423	2.15-2.42%	▼0.05% - ▲0.22%
15Y	40,250	61,889	28,271	2.35-2.62%	▼0.05% - ▲0.25%
20Y	3,000	3,770	1,170	2.65%	▼0.1%
30Y	5,750	9,665	2,215	2.85%	▼0.15%
<b>Total</b>	<b>118,500</b>	<b>210,021</b>	<b>80,229</b>		

#### Open Market Operations (01/01-31/03/2024) (Unit: VND Bio)

Types	Volume	Term	Outstanding as of 29/03/2024
Reverse Repo	6,041	7 days	-
SBV's Bills	171,199	28 days	171,199

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

### MARKET HIGHLIGHTS

*VND interest rates were relatively volatile in the first quarter due to temporary imbalance between supply and demand.*

Shifting to 2024, VND interest rates showed further easing and hovering at low levels thanks to ample liquidity in the local market. Specifically, overnight (O/N) and one-week (1W) interest rates hovered at the low range of 0.2-1.0% in the beginning days of 2024 and just kicked up to 1.0-2.0% levels in late January due to high settlement demand. Besides, one-month (1M) and three-month (3M) interest rates stayed around 1.5-3.5% and 1.8-3.8% levels respectively by the end of January.

Nevertheless, VND short-term interest rates shifted upward remarkably in early February due to seasonal factors. Market liquidity showed tight on the last working days before Lunar New Year, arising from settlement robust. Specifically, O/N and 1W interest rates jumped up by 200- 300 basis points to hit 3.5-4.5% levels at that time.

After Tet holidays, dong interest rates corrected down thanks to the improved liquidity. However, the local money market experienced temporary liquidity shortage in the third week of February. Consequently, O/N and 1W interest rates quickly climbed up to 2.5-4.5% levels. Since the short-term rates moved fast, the interest levels for longer ends also edged up accordingly. 1M-3M rates rose to 2.0-4.0% levels. In this context, SBV used OMO channel to pump around VND6 trillion to balance supply and demand in the banking

## MONEY MARKET

### MARKET HIGHLIGHTS

*Interest rates eased off in early March but then fluctuated significantly.*

*Credit growth was only 0.26% as of March 25<sup>th</sup>, 2024.*

*VST achieved only 63% bond issuance plan in Q1-2024.*

system through reverse-repo contracts with one-week tenor. O/N and 1W interest rates then cooled off by late February to fetch at 1.5-2.5% levels. In the meantime, longer-term interest rates such as 1M-3M hovered steadily at 2.0-3.5% levels by the end of February.

Moving to March, the local money market witnessed strong fluctuation of dong interest rates, partly owing to the huge funds withdrawal from SBV to alleviate foreign exchange market. In details, Vietnam central bank withdrew over VND171 trillion through bills issuance for 28-days term at 1.32-2.5% level during March 2024. Market liquidity showed tighter given such large cash outflows. As a result, VND short-term interest rates swang significantly. O/N and 1W interest rates fluctuated in a wide range of 0.2-3.5% levels in March.

On the customer base, according to the General Statistic Office, the figure was not encouraged in the first quarter. Deposit mobilization by credit institutions as of March 25<sup>th</sup>, 2024 decreased by 0.76% compared to last year-end. Besides, the credit growth figure was quite minor, which was estimated to be 0.26% in comparison with the target of 15% this year set by SBV. This somewhat reflected the real difficulties of businesses at the time being.

On the primary debt market, Vietnam State Treasury (VST) offered a total of VND118.5 trillion worth of government bond with various tenors from 5-year to 30-year terms. Even though the coverage ratio reached nearly 1.8 times i.e. VND210 trillion, the winning ratio was nearly 68% only owing to yield mismatch between the issuer's offer and investors' expectation. VST totally raised VND 80.2 trillion worth of government bonds in the first quarter, which was equivalent to 63.2% of Q1's issuing plan and 20% of the whole year plan (VND400 trillion). The winning yields did not change much from the latest levels done in 2023, which recorded a movement of 10-30 bps on average.

Due to tighter liquidity stance in the money market towards the end of March, VND interest rates soared up to close Q1 at 2.5-3.5% levels for O/N - 1W terms. In the meantime, the interest rates for longer tenors also inched up accordingly to fetch 3.0-4.0% for 1M-3M, recording an increase of 100-150 bps from last year-end's levels.

## BRANCHES' FORECAST



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*The local currency is expected to fluctuate at moderate levels against greenback in the upcoming quarters.*

By the end of the first quarter, VND has been weakened by 2.21%, compared with last year-end. The local currency is seen to face with further depreciating pressure due to high greenback demand, negative difference between VND and USD interest rates and the current greenback strength. Moreover, USD/VND exchange rates is foreseen to continue fluctuate strongly as being affected by imbalance between greenback supply and demand in certain periods. However, the local foreign exchange market is expected to be steadier in the second half, backed up by the strong economic foundation of the country such as positive trade balance and stable foreign investment capital influx. Besides, it is also supported U.S.'s Fed orientation for cutting interest rate towards this year-end, which somewhat might reduce dollar strength. In addition, SBV keeps managing the steadiness and liquidity of the local forex market to ensure the appropriate movement of USD/VND exchange rate, using their flexible foreign exchange policy and foreign reserve position. With all given factors, USD/VND exchange rate is foreseen to fluctuate in upcoming quarters but VND is expected to depreciate at moderate levels against greenback for the whole year.

*Dong interest rates are expected to stay at reasonable levels.*

Lending activity picture in Q1 was relatively gloomy with credit growth noted 0.26% as of March 25<sup>th</sup>, far away from the whole year target of 15%. SBV is expected to adopt all possible measures to maximize the access to bank loans from business and individuals to foster the economic growth. The monetary policy is foreseen to be flexible to support macroeconomic stability and keep the inflation under control. Thus, the low interest environment of dong is expected to be maintained and this policy is also supported by the U.S. Fed's view of reducing interest rate towards year-end. However, it is notable that dong levels might increase in case of rising capital demand when credit activities become more active in later quarters. Overall, it is forecast that VND interest rates will maintain at reasonable levels and liquidity would be strong to support businesses activities as well as boosting credit growth.