Economic Update
12 May 2022

ECONOMIC UPDATE

Domestic recovery to cushion external challenges

- Service and industrial sectors are picking up in April.
- Headline CPI edged up to 2.6% yoy in Apr 2022 (vs. 1.9% yoy in 1Q22).
- The Fed's tightening of monetary policy has a broad impact on Vietnam's economy, including exports, monetary policy and foreign debt repayment.
- We keep our 2Q22F and 2022F GDP growth forecast at 5.6% and 7.1%, respectively, fueled by recovery of domestic demand and strong exports.

Service sector to roar back robustly

Gross retail sales of consumer goods and services grew 3.1% mom and 12.1% yoy in April. This is the highest monthly growth recorded since May 2021. For 4M22, gross retail sales rose 6.5% yoy despite the hiccup in Feb-Mar due to the outbreak. We expect the service sector to improve further in the coming quarters thanks to an increase in the number of domestic and international tourists in the context of Vietnam hosting major regional events such as the 31st Sea Games.

Manufacturing activities and exports improved further

Vietnam's Index of Industrial Production (IIP) rose 9.4% yoy (+2.0% mom). It marked the highest annual growth since June 2021. In addition, Vietnam's PMI (Purchasing Managers Index) was unchanged at 51.7 in April 2022, indicating that operating conditions for Vietnam's manufacturing sector are still improving despite the difficulties of higher input prices and supply chain disruptions caused by the Russia-Ukraine crisis. Meanwhile, Vietnam's export value rose 25.0% yoy to US$33.3bn in April 2022, mostly contributed by the sharp increase in the export of phones of all kinds (+63% yoy).

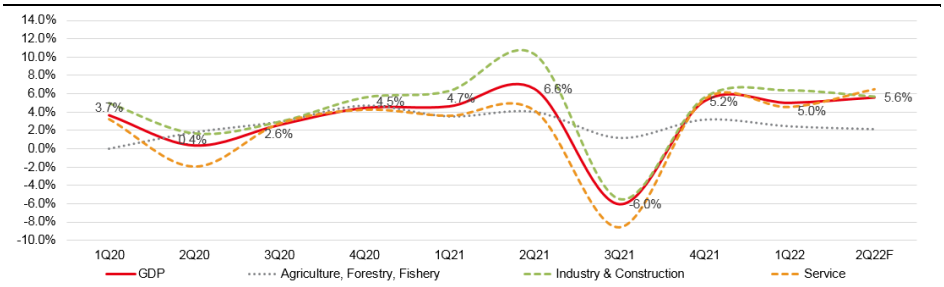
FED's monetary policy has a broad impact on Vietnam's economy

Tighter global financial conditions could dampen growth prospects for the global economy, leading to lower demand for Vietnam's exports. Rising USD interest rates put pressure on Vietnam's interest rates, whereby VND deposit rates are expected to increase further by 20-40 basis points for the rest of 2022. A stronger USD affects Vietnam's exchange rate, although the impact is minimal as supportive factors for dong stability remain such as stronger trade surplus and high foreign exchange reserves. In addition, a stronger USD also increases the foreign debt repayment obligations of the Vietnam's government and enterprises.

We maintain our GDP growth forecast for Vietnam in 2Q22F at 5.6%.

Though inflation is still top-in-mind risks, we believe the strong domestic recovery including manufacturing, retail and currency will buffer against the external challenges. We maintain our GDP forecasts of 5.6% yoy (+/- 0.2% pts) for 2Q22F and 7.1% for 2022F.

Figure 1: We expect Vietnam's GDP to grow by 5.6% yoy in 2Q22F (+/-0.2% pts)



Source: GSO, VNDIRECT RESEARCH

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DOMESTIC RECOVERY TO CUSHION EXTERNAL CHALLENGES

Service sector to speed up recovery

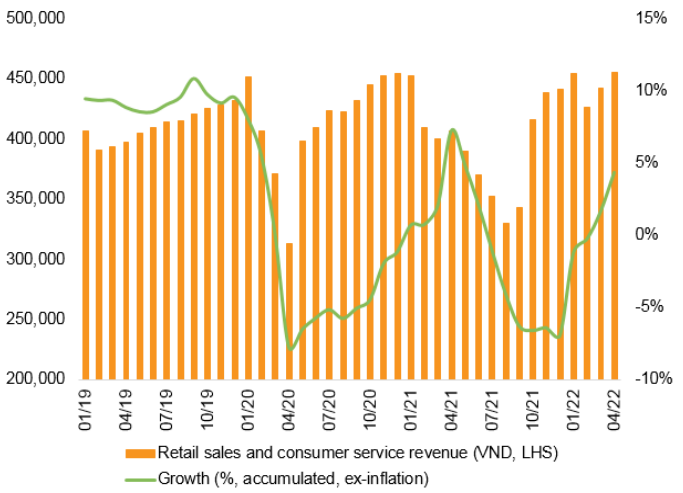
Vietnam's service sector kicked off the second quarter strongly with gross retail sales of consumer goods and services in April reaching VND445.494bn, up 3.1% over that in the previous month and up 12.1% over that in the same period last year, according to General Statistics Office (GSO). This is the highest monthly growth recorded since May 2021. For 4M22, gross retail sales of consumer goods and services rose 6.5% yoy (vs. an increase of 8.2% in 4M20). If excluding the price factor, this indicator rose 4.3% yoy (that in the same period in 4M21 increased by 7.2% yoy).

To be specific, all aspects of the service sector improved in April 2022 when the COVID-19 pandemic was well-contained domestically. Firstly, the travelling service recoded the impressive year-on-year growth with revenue reached VND1.2 trillion (+22.7% mom), increasing 1.5 times over the same period last year. Furthermore, revenue of accommodation and catering service rose 6.9% mom to VND45.5 trillion (+14.8% yoy) in April 2022. Moreover, retail sales edged up 2.3% mom to VND363.6 trillion (+12.4% yoy) while revenue of other services increased 5.5% mom to VND45.2 trillion (+6.7% yoy).

The spectacular recovery of tourism has been the highlight of the service industry in the last month. Statistics from the General Department of Tourism show that international visitors to Vietnam in April 2022 were nearly 70,000 arrivals, increasing 5.7 times over the previous month. In the first 4 months of 2022, Vietnam has welcomed more than 92,000 visitors, of which 80,000 have come to Vietnam since the government officially opened tourism to international tourists from March 15, 2022. Not only international visitors, domestic visitors also increased significantly with 10.5m arrivals in April 2022, up 16.7% over the same period last year. In which, staying guests reached 6.3m.

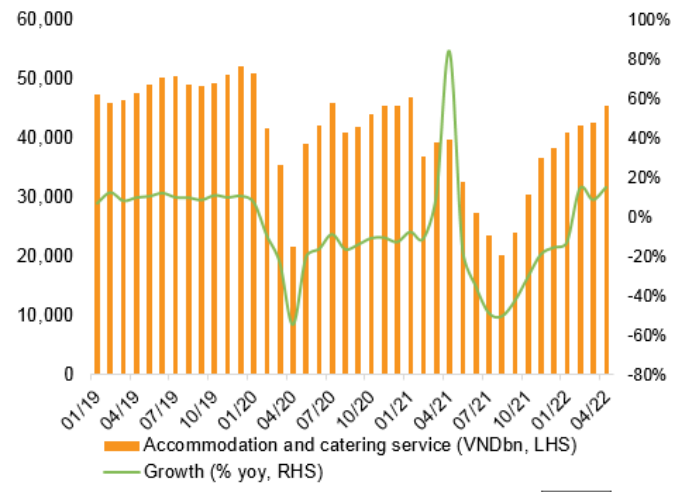
Along with the strong recovery of tourism, transportation activities also prospered in April 2022. According to GSO, passengers carried in April were estimated at 358.7m persons (+12.7% mom), increased by 6.2% compared to the same period last year, and passenger traffic was 12.1 billion passengers-km, increased by 13.2% yoy (+19.8% mom). Meanwhile, freight carried in April 2022 was estimated at 155.4 million tons (+4.2% mom), increased by 14.5% compared to the same period last year, and freight traffic was at 33.6 billion tons-km (+1.4% mom), up 14.7% over that in the same period last year.

Figure 2: The recovery of service sector accelerated in April 2022



Source: GSO, VNDIRECT RESEARCH

Figure 3: Hospitality experienced stronger recovery (% yoy)



Source: GSO, VNDIRECT RESEARCH

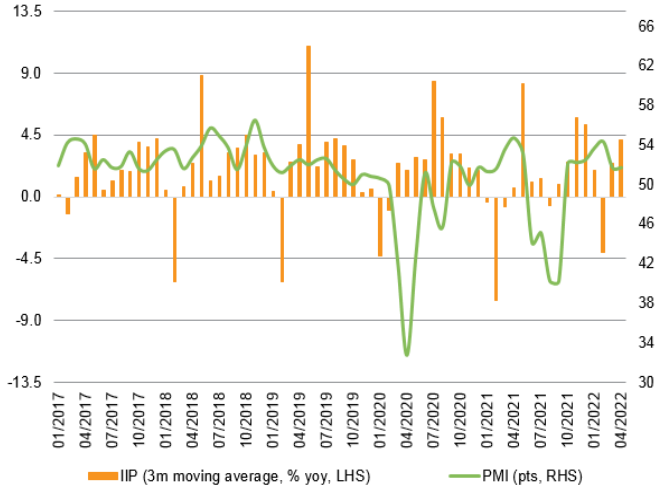
Manufacturing activities improved further

Vietnam's Index of Industrial Production (IIP) in April 2022 suggests the strong expansion of industrial sector, led by manufacturing activities. To be specific, the general IIP rose 2.0% mom and 9.4% yoy. It marked the highest annual growth since June 2021, driven mainly by growing manufacturing output and strong external demand from developed markets. Regarding to sub-sectors, manufacturing increased strongly by 11.3% yoy (+2.6% mom), electricity production and distribution rose by 2.8% yoy (+1.8% mom), waste and wastewater management and treatment inched up 0.4% yoy (+9.0% mom), and mining edged up 2.3% yoy (-4.5% mom).

Vietnam's PMI was unchanged at 51.7 in April 2022, indicating that operating conditions for Vietnam's manufacturing sector are still improving despite the difficulties of higher input prices and supply chain disruptions caused by the Russia-Ukraine crisis. IHS Markit (the provider of Vietnam's PMI Index) pointed out several highlights for Vietnam's manufacturing sector in Apr 2022:

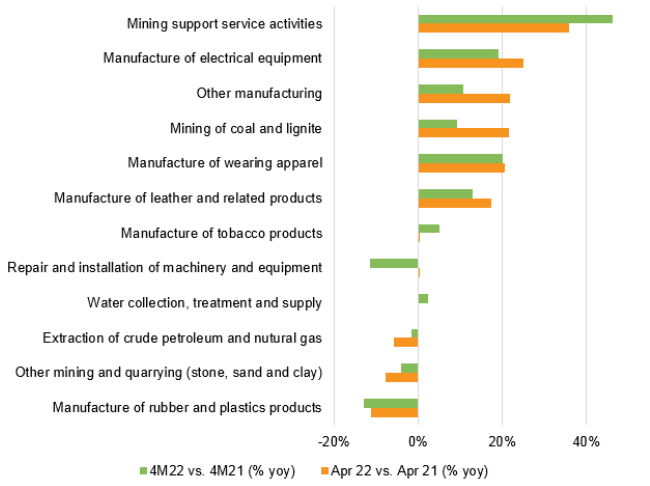
- Both output and employment rebounded in April after falling the previous month, on the back of an improved Covid-19 situation. The number of new workers being recruited into manufacturing plants increased at the fastest rate in the past 1 year. Meanwhile, output increases for the 6th month in a row thanks to an increase in production capacity.
- The number of new orders recorded the slowest increase in the past 7 months. Manufacturers surveyed said that the scarcity of raw materials and rising prices limited the growth of new orders. Similarly, new export orders also recorded a slower growth rate compared to the previous month. The main reason was that China continued to maintain the "Zero COVID" policy and tightened its epidemic prevention and control policies.
- Input costs continued to increase strongly with the second highest growth rate recorded in 11 years since IHS Markit conducted this survey. The sharp increase in costs was recorded in freight, gas and petrol prices.
- To compensate for the increased input costs, manufacturers have increased their selling prices with the fastest rate in the past 5 months.

Figure 4: Industrial sectors witnessed strong expansion in Apr 2022



Source: GSO, VNDIRECT RESEARCH

Figure 5: Industrial production index (IIP) by category



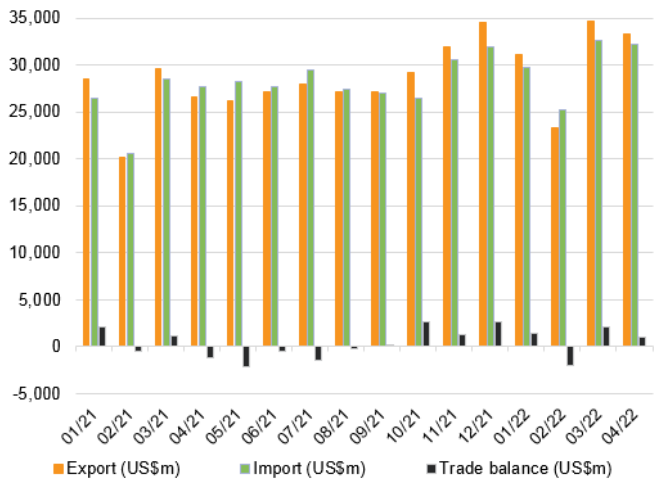
Source: GSO, VNDIRECT RESEARCH

Import and export activities keep accelerating

According to GSO, export value rose 25.0% yoy (-4.2% mom) to about US$33.3bn in April 2022. The growth rate improved significantly from the 13.7% yoy increase in total export value in the first quarter of 2022. We saw several factors that support Vietnam's export in April 2022, including (1) higher manufacturing output on the back of an improved COVID-19 situation in Vietnam, (2) strong demand for Vietnam's exports in the context of global shortages of food and production materials due to the impact of the Russia-Ukraine conflict and (3) export prices improved amid a sharp increase in global commodity prices.

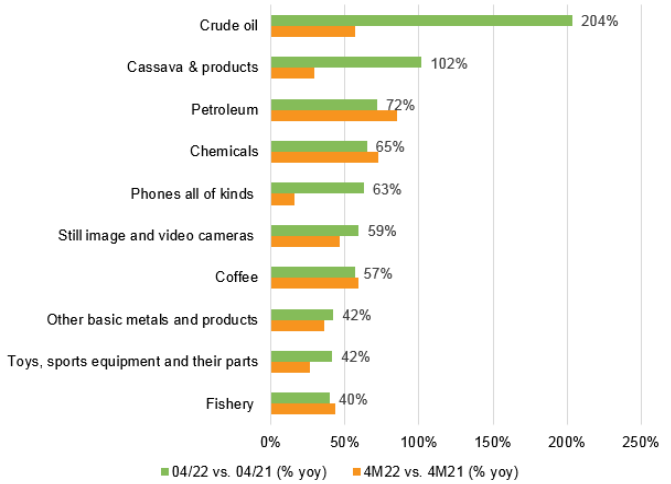
The sharp increase in the export of phones of all kinds is the most impressive highlight of April's export activities. Per GSO data, the export value of phones of all kinds reached US$6.2bn in April 2022, increasing 1.6 times compared to the same period last year. The main contribution for this impressive growth came from the handover of Samsung's flagship phone Galaxy S22 to consumers around the globe. Vietnam's other top export products also recorded strong growth rates in April 2022, including electric goods and computers (+23.2% yoy), machinery and equipment (+13.4% yoy), textiles (+25.4% yoy), footwear (+18.9% yoy), wood & wooden products (+5.7% yoy), automobiles (+6.3%), seafood (+39.9% yoy), steel (+23.6% yoy), camera and camcorders (+59.4% yoy).

Figure 6: Import-Export to grow healthily in April 2022



Source: Vietnam Customs, VNDIRECT RESEARCH

Figure 7: List of export items that experienced strongest growth rate in April 2022



Source: Vietnam Customs, VNDIRECT RESEARCH

As for imports, Vietnam's import spending reached US$32.2bn in April 2022 (+15.5% yoy). Import activities remained strong as the sustainable expansion of Vietnam's manufacturing sector boosted demand for imported raw materials and input products, while resilient domestic demand accelerated the imports of consumer goods.

Among Vietnam's import products, the items that witnessed the strongest import growth rates in April 2022 include liquified petroleum gas (+305.8% yoy), petroleum products (+174.4% yoy), coal (+173.9% yoy), fertilizer (+92.6% yoy), crude oil (+88.6% yoy), fruits and vegetables (+51.5% yoy), rubber (+49.6% yoy), medicine (+43.2% yoy), phones all of kinds and their parts (+41.5% yoy) and other base metal products (+40.1% yoy)

Regarding to trade balance, Vietnam still maintained trade surplus of US$1.1bn in April 2022. For 4M22, Vietnam's export value climbed to about US$122.4bn (+16.4% yoy) while Vietnam's import spending reached US$119.8bn (+15.7% yoy). Therefore, Vietnam had a trade surplus of US$2.5bn in the first 4 months

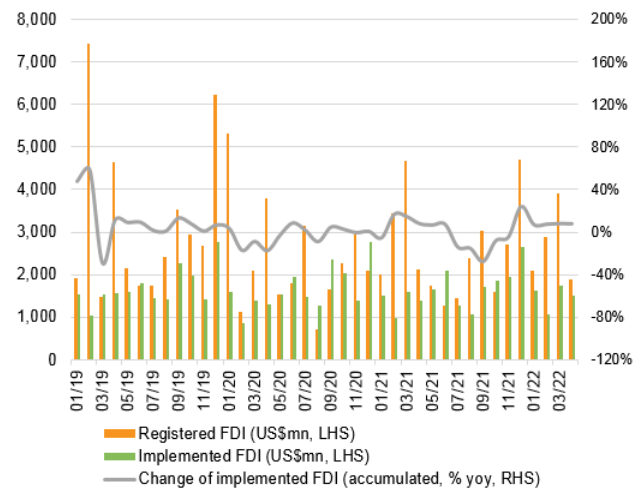
of 2022, this figure was significantly improved compared to the trade surplus of US$1.6bn in the same period last year.

We expect stronger FDI inflows in the second half of 2022

According to the Ministry of Planning and Investment (MPI), the implemented capital of FDI projects reached US$1.5bn (+7.1% yoy) in April 2022, thus lifting the implemented capital of FDI projects in 4M22 to US$5.9bn, increasing 7.6% yoy (vs. a 6.8% increase in 4M21). On the other hand, registered capital of FDI projects remained low at US$1.9bn (-10.4% yoy) in April 2022. For 4M22, registered capital of FDI projects declined 11.8% yoy to US$10.8bn. To be more specific, 454 (+0.7% yoy) newly licensed projects in 4M22 with a registered capital of US$3.7bn, a decline of 56.3% in terms of registered capital compared to the same period in 2021; 323 projects licensed in the previous years approved to adjust investment capital (incremental FDI) with a total additional capital of US$5.3bn (+92.5% yoy); 1,026 turns of capital contribution and share purchases of foreign investors with a total value of the capital contribution of US$1.8bn, a surge of 74.5% over the same period in 2021.

The decrease of registered FDI in the first four months of 2022 was mainly due to the fact that in the same period last year, a very large-scale project was recorded, namely the Long An I, II liquefied natural gas (LNG) power plant worth US$3.1bn and the Omon II thermal power plant worth US$1.3bn. Meanwhile, the largest registered FDI project in the first 3 months of 2022 is the Lego's toy factory, worth US$1.3bn. We expect the registered FDI to recover in the following quarters as Vietnam accelerates the economic reopening and many international routes are allowed to resume operations. In addition, Vietnam is still benefit from foreign multinational companies to pursue a 'China+1' strategy, and diversify into Vietnam due to competitive labour costs, proximity to China, and political stability. We maintain our forecast from the beginning of this year that registered FDI and implemented FDI in 2022 will grow by 10% yoy and 9% yoy, respectively, compared to the last year. It should be noted that foreign direct investment (FDI) inflows into Vietnam decreased sharply in the third quarter of 2021 because many provinces and cities across the country had to blockade to control the fourth wave of COVID-19 pandemic.

Figure 8: Foreign direct investment



Source: GSO, MPI, VNDIRECT RESEARCH

Figure 9: List of major FDI projects in 4M22

FDI projects	Sectors	Registered capital (US$bn)	Province/city
Lego's toy factory	Manufacturing	1.3	Binh Duong
Expansion of VSIP Bac Ninh project	Industrial Park	0.9	Bac Ninh
Expansion of Samsung's plant in Thai Nguyen province	Manufacturing	0.9	Thai Nguyen
The manufacturing factory of Goertek Group	Manufacturing	0.3	Nghe An
Commercial and service projects of GE Vietnam	Commercial & Service	0.2	Bac Ninh
Electronic component factory project (JNTC - Korea)	Manufacturing	0.2	Phu Tho

Source: GSO, MPI, VNDIRECT RESEARCH

Public investment slew down as rising construction material prices

According to GSO, the implemented state capital (public investment) in April 2022 jumped 6.6% yoy to VND33.5tr (versus an increase of 10.2% yoy seen in 1Q22). For 4M22, disbursed state capital rose 9.1% yoy to VND109.6tr (below the 18.4% rate seen in 4M21), equivalent to 20.6% of the full-year target.

We expect the implementation of public investment to accelerate in the coming months as the public investment package under the new economic package, worth about VND113,050bn, has been disbursed since April 2022. In addition, Prime Minister Pham Minh Chinh signed Decision No.548/QD-TTg on May 2 establishing six inspection teams to solve problems related to the disbursement of public investment. The inspection teams will work with ministries, central agencies and provinces with the disbursement rate of public investment capital below the national average of about 18.5%. Then, they will report to the prime minister and propose specific solutions to accelerate public investment within five working days of the completion of the verification process.

However, it should be noted that the implementation of public investment also face a downside risk in the near future if the price of construction materials such as steel, cement and construction stone remain high due to the impact of the Russia-Ukraine conflict and supply chain disruption. Contractors may delay the project implementation compared to the original plan due to the rising construction materials, which negatively impacted the profit margin of construction enterprises. For 2022F, we maintain our forecast that the implemented state capital to increase by 20-30% compared to the actual implementation in 2021, as growth in the second half of 2022 could picks up from the low base of the same period in 2021. Noted that, public investment grew negatively in the last six months of 2021 due to the 4th wave of COVID-19 pandemic, social distancing, and rising construction material prices.

Figure 10: Progress of key transport infrastructure projects in the period of 2021 - 2026

Project		Total investment (VNDbn)	Estimated construction progress 2019	2020	2021	2022	2023	2024	2025	2026
Eleven sub-projects of the North-South expressway (phrase 1)	Cam Lo - La Son	7,700								
	Cao Bo - Mai Son	1,600								
	My Thuan Bridge 2	5,000								
	Mai Son - Highway 45	12,920								
	Vinh Hao - Phan Thiet	10,853								
	Phan Thiet - Dau Giay	14,360								
	Nghi Son - Dien Chau	8,380								
	Highway 45 - Nghi Son	6,330								
	Dien Chau - Bai Vot	13,340								
	Nha Trang - Cam Lam	7,615								
	Cam Lam - Vinh Hao	13,690								
Twelve sub-projects of the North-South expressway (phrase 2)		146,990								
Long Thanh International Airport (phrase 1)		109,112								
Total		**357,890**								

Source: VNDIRECT RESEARCH

The Fed's tightening of monetary policy has a broad impact on Vietnam's economy

FED tightens monetary policy to deal with high inflation

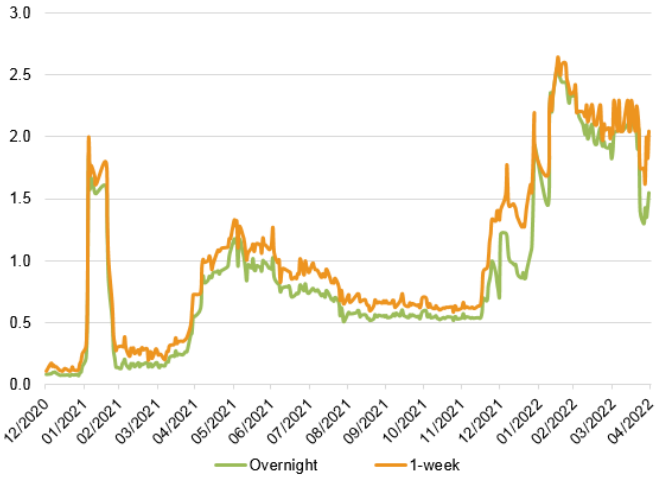
At its most recent meeting held on May 3-4, 2022, the Federal Open Market Committee (FOMC) voted to increase the fed funds rate by 50 basis points to a target range between 0.75% and 1.0%. The decision to raise policy rates by 0.50% marked the most aggressive increase made in a single meeting since May 2000. The central bank officials also suggested that they will further raise policy rates throughout this year in an effort to tame inflation. Fed's officials also agreed to begin reducing its balance sheet in June 2022, initially by $47.5 billion

per month (US$30bn in U.S. Treasuries and US$17.5bn in mortgage-backed securities), then by $95 billion per month after three months ($60 billion in U.S. Treasuries and $35 billion in mortgage-backed securities).

We believe that the FED's tightening of monetary policies has five major impacts on Vietnam's economy

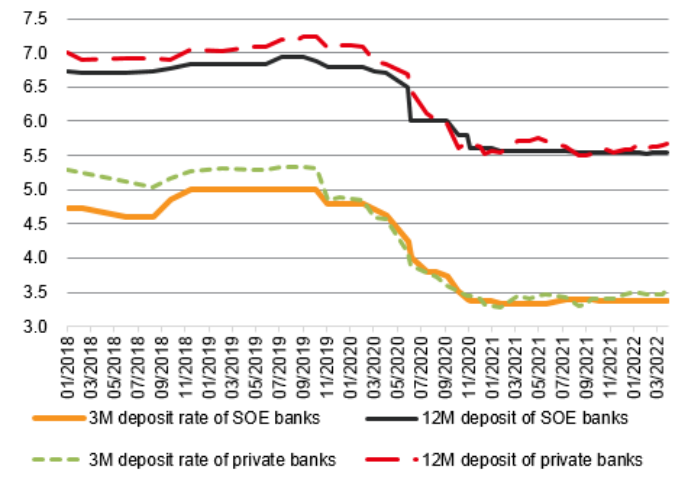
- Tighter global financial conditions could dampen growth prospects for the global economy, leading to lower demand for Vietnam's exports. The Fed's tightening of monetary policy will increase borrowing rates (in USD) thereby reducing consumption demand of people as well as weaken the need to expand investment of businesses. Many research organizations around the world have recently lowered their growth forecasts for the global economy as well as the US. economy, in which one of the main reasons is the tightening global financial conditions. Therefore, Vietnam's export activities could slow down in the coming quarters as consumers in key export markets such as the US and Europe tighten their spending.
- Deposit interest rates (by Vietnam Dong) are under pressure to increase in the remainder of 2022. As of 26 Apr, 2022, the 3-month term deposit rates and the 12-month term deposit rates of state-owned banks remained unchanged compared to the level at the end of 2021 (refer Figure 12) while the 3-month term deposit rates and the 12-month term deposit rates of private banks edged up 14bps and 13bps, respectively, compared to the level at the end of 2021. We expect deposit rates to further increase in the rest of 2022 due to an increase in USD deposit rates and higher inflationary pressures in Vietnam for the remainders of this year. However, we think the increase will be minimal, about 30-50 basis points for the whole year 2022. We see the 12-month deposit rates of commercial bank could climb to 5.9-6.1%/year at the year-end of 2022 (currently at 5.5-5.7%/year), which are still lower compared to pre-pandemic level of 7.0%/year.
- Rising USD interest rates put pressure on foreign debt repayment obligations of the Vietnam's government and enterprises. According to our estimation, Vietnam's external debt accounts for 39% of GDP by the end of 2021. In the context of tighter liquidity in international financial markets, it will be more difficult for the Vietnam's government and businesses to raise capital in the international market and at higher interest rates.
- Regarding financial market, foreign indirect investment (FII) may continue to be net withdrawn in the coming months due to the impact of taper tantrum. However, foreign investors have been net sellers on Vietnam's stock market in the last 2 years, so the impact of foreign net selling will be moderate because the market has prepared in advance. Meanwhile, foreign direct investment (FDI) flows into Vietnam will be minimal impacted as Vietnam remains an attractive investment destination in the trend of global supply chain diversification.
- A strong USD puts pressure on Vietnam's exchange rate. As at 31 Apr 2022, the dollar index (which measures the strength of the US. dollar against a basket of currencies) reached 103 points, its highest level in 20 years. A strong USD pulls the USD/VND exchange rate up by about 0.6% in the first 4 months of 2022. However, the Vietnam Dong still remains one of the most stable currencies in the Asia-Pacific region. We see that the fundamental factors to keep Vietnam Dong stable in recent years still remain, including current account surplus and higher foreign exchange reserves (FX reserves). We expect current account surplus to widen to 1.9% GDP in 2022F from an expected deficit of 1.0% GDP in 2021. We also expect Vietnam's FX reserves to reach US$122.5bn at the end of 2022 (equivalent to 4.0 months of import) from a current level of US$105bn. As a result, we see the US$/VND stable at 22,600-23,050 in 2022F and the Vietnamese Dong may move in a relatively narrow range (+/-1%) vs. the US$.

Figure 11: Interbank interest rate kept falling in April 2022 (%)



Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 12: Deposit interest rate slightly edged up in April 2022 (%)

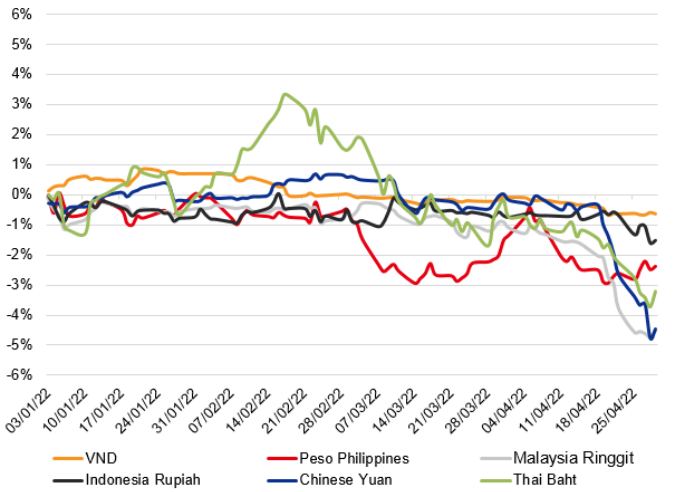


Source: Commercial banks, VNDIRECT RESEARCH

Figure 13: The Dollar index reached the highest level in 20 years

Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 14: Vietnam dong outperformed regional currencies in Apr (% YTD)



Source: BLOOMBERG, VNDIRECT RESEARCH

We expect SBV to maintain its accommodative monetary policy at least in the next 3-6 months to support the economic recovery.

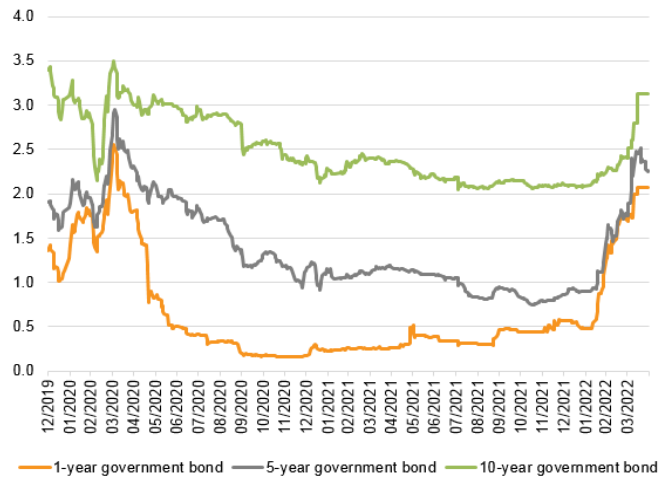
We keep our expectation that the State Bank of Vietnam (SBV) will maintain its accommodative monetary policy until at least the end-2Q22 as (1) Although inflationary pressures are expected to intensify in the coming months, the average consumer price index for the first half of 2022 is forecast at 2.5% yoy, still well below the government's target of 4% yoy (2) Domestic demand remains weak and has not yet fully recovered to pre-pandemic levels and (3) The SBV still prioritizes the goal of maintaining low lending interest rates to support businesses and the economy to recover.

Any monetary tightening will only take place in the second half of 2022 (more likely in 4Q22), and major rate hikes will be limited, around 0.25-0.5%. We expect the SBV to allow credit growth to remain high to support the economic recovery. Credit capital flows will be prioritized for manufacturing and services especially in priority businesses such as industry, export-import activity, agriculture, forestry, fishery sector. In addition, the SBV will carefully control

credit flows into high-risk areas such as real estate, securities and BOT (Build-Operate-Transfer) projects. We maintain our view that Vietnam's credit remains strong at 14% yoy growth in 2022F.

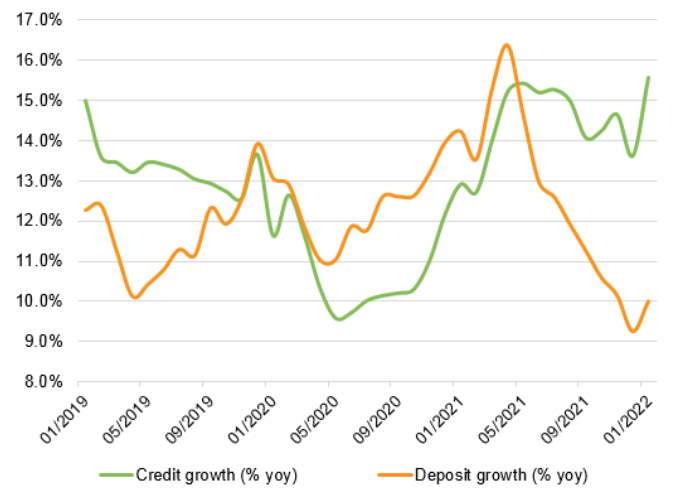
Regarding to lending interest rates, the SBV is implementing an interest rate compensation package with a scale of VND3,000bn. It offers lending rates of only 3-4%/year for businesses strongly affected by the COVID-19 pandemic. Moreover, the Government plans to expand the scale of the package of interest rate compensation for businesses to VND40,000bn, focusing on a number of priority audiences, including (1) small and medium-sized enterprises, (2) businesses participating in a number of key national projects, and (3) business in certain industries (tourism, aviation, transportation). We expect that the interest compensation package could help reduce lending rates by 20-40 bps in 2022F, on average. However, the actual impact of the interest rate compensate package on businesses and the economy could be reduced if commercial banks raise lending rates on other conventional loans to offset the increase in deposit rates.

Figure 15: Vietnam's government bond yields climbed to the highest level in 2 years (%)



Source: BLOOMBERG, VNDIRECT RESEARCH

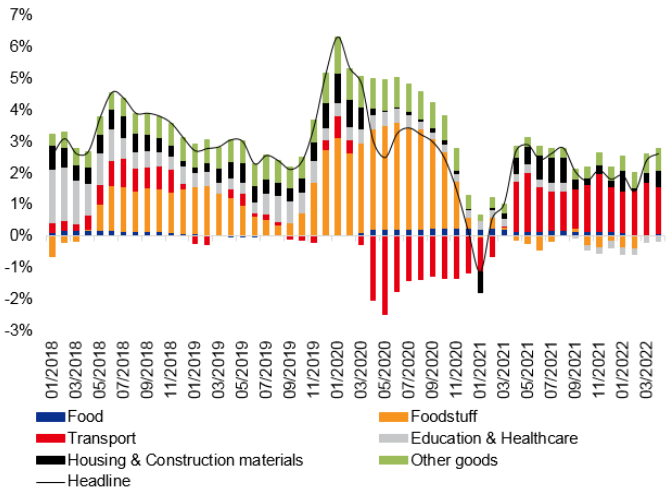
Figure 16: The gap between credit growth and deposit growth further widened



Source: SBV, VNDIRECT RESEARCH

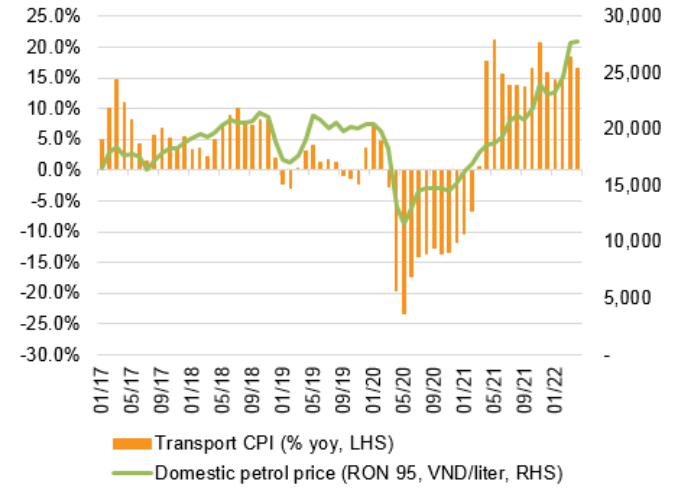
Inflationary is still top-in-mind risk

Figure 17: Headline CPI rose 2.6% yoy in Apr 2022



Source: GSO, VNDIRECT RESEARCH

Figure 18: Transportation CPI surged amid rising crude oil price



Source: GSO, VNDIRECT RESEARCH

Vietnam's headline inflation climbed to 2.6% yoy in Apr 2022 (vs. 1.9% in 1Q22 and 2.4% in March 2022), mostly driven by the increase of transportation consumer price index (+16.6% yoy) as petrol price surged amid Ukraine-Russia crisis. Meanwhile, food and foodstuff index remained low at 1.1% yoy due to lower pork price (-30% yoy). On a mom basis, the consumer price index (CPI) edged up 0.2% mom.

We see inflation risks increasing in the rest of 2022 due to the impact of the Russia-Ukraine crisis:

- Crude oil and natural gas prices have surged significantly due to Russia-Ukraine crisis. Brent crude oil price averaged at US$97.9/barrel in 1Q22 (+59.7% yoy). We believe that crude oil and natural gas prices are unlikely to return to pre-crisis levels anytime soon. Therefore, in the baseline scenario, we raise our forecast for average crude oil price in 2022 to US$88/barrel from previous forecast of US$80/barrel. The high anchor crude oil price will increase inflationary pressure on Vietnam, especially for transportation price index.
- The increase in prices of input materials such as coal, steel, copper, aluminum, and shipping rates could also impact on production costs in Vietnam. The longer the conflict lasts, the greater the impact on firms' production costs will be.
- The increase in prices of fertilizers and agricultural commodities (wheat, corn, barley) can also increase pressure on domestic food and foodstuff prices, although the impact will be relative limited.

Therefore, we expect inflation to heat up in the upcoming month and forecast CPI in 2Q22F to average at 3.1% yoy (vs. 1.9% yoy in 1Q22). We still believe that the Government could be able to control the inflation to meets the government's target of keeping the 2022 average CPI below 4.0% yoy. The government has taken effective solutions to curb inflation this year, including reducing environmental tax on gasoline to lower domestic gasoline prices and adjusting prices of public services such as tuition fees. Overall, we maintain our 2022 average CPI forecast at 3.45% yoy.

We believe the strong domestic recovery will buffer against the external challenges

We expect Vietnam's economy to grow 5.6% yoy (+/- 0.2% pts) in the second quarter of 2022, improving from a 5.0% growth in 1Q22. In the first half of 2022, we forecast Vietnam's GDP to grow by 5.3% yoy, down from 5.6% yoy in 1H21.

Regarding to three main pillars of the economy, the service sector is expected to achieve higher growth rate in 2Q22F thanks to (1) reopening of non-essential services (tourism, public transport, entertainment,...) and (2) domestic demand recovering after the government relaxes regulations on social distancing and cut value added tax (VAT) from 10% to 8%. We forecast the service sector to grow at 6.5% yoy in 2Q22F, strongly improving from 4.6% and 4.2% in 1Q22 and 2Q21, respectively.

Rising input material prices would have a strong impact on the industry and construction sector in the second quarter of 2022. We expect this sector to grow by only 5.7% yoy in 2Q22F, down from 6.4% in 1Q22 and 10.4% in 2Q21.

Last but not least, we expect the agriculture, forestry and fishery sector to expand 2.1% yoy in 2Q22F. This growth rate is lower than the 1Q22 growth rate of 2.4% yoy as the increase in animal feed could strongly impact the herding activities in the second quarter. This rate is lower than 1Q22 growth of 2.4% yoy as the increase in animal feed prices could have a negative impact on livestock production in the second quarter.

We maintain our GDP growth forecast for Vietnam in 2022 at 7.1%. Overall, Vietnam will still be one of the fastest growing countries in the Asia-Pacific region in 2022.

Figure 19: Key macro forecasts in 2022-23F

Indicator	Unit	2018	2019	2020	2021E	2022F
Real GDP growth	% yoy	7.1	7.0	2.9	2.6	7.1
Export growth	% yoy	13.3	8.4	6.5	19.0	12.5
Import growth	% yoy	11.8	6.9	3.6	26.5	10.9
Trade balance	USD bn	6.9	10.9	18.9	4.0	9.8
Current account balance	USD bn	5.8	12.8	12.7	-3.8	7.8
Current account to GDP	% of GDP	1.9	3.8	3.7	-1.0	1.9
FX reserves	USD bn	55.1	79.0	95.0	107.5	122.5
FX to GDP	% of GDP	17.9	23.8	27.8	29.2	30.4
Import coverage	months	2.8	3.7	4.3	3.9	4.0
CPI (period average)	% yoy	3.5	2.8	3.2	1.8	3.5
Credit growth	% ytd	13.9	13.7	12.1	13.6	14.0
Credit to GDP	% of GDP	103.9	107.1	115.7	124.3	128.9
M2 growth	% ytd	12.4	14.8	14.7	11.0	12,0-13,0
Refinancing rate	%	6.3	6.0	4.0	4.0	4.0-4.5
12M deposite interest rate (year-end)	%	6.8	6.8	5.6	5.6	6.0
Government bond 10Y (year-end)	%	5.1	3.4	2.4	2.1	3.2
Exchange rate (USD/VND)	% yoy	1.8	1.4	0.7	-0.7	+/- 1.0
Fiscal balance	% of GDP	2.2	2.7	3.1	3.8	4.2
Public debt	% of GDP	46.6	43.4	45.2	43.7	44.8

Source: VNDIRECT RESEARCH, GSO, SBV, MOF

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Stock Ratings	Definition:
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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